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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2018
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.)

11620 Wilshire Boulevard, Suite 350, Los Angeles, California 90025
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, No Par Value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
☐ Yes ☒ No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.
☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐		Accelerated Filer	☐
Non-Accelerated Filer	☐	(Do not check if a smaller reporting company)	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 aggregate market value of the Common Stock, no par value, held by non-affiliates computed by reference to the average bid and asked price on December 29, 2017 was $5,157,000.

The number of shares outstanding of registrant's Common Stock, as of August 30, 2018, was 734,183.

DOCUMENTS INCORPORATED BY REFERENCE: None

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain "forward-looking statements" within the meaning of the Private Securities Litigation reform Act of 1995. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They contain words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" "may," "could," "might" and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance. From time to time we also provide forward-looking statements in our Forms 10-Q and 8-K, Annual Reports to Shareholders, press releases and other materials we may release to the public. Forward looking statements reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Consequently, no forward-looking statement can be guaranteed, and our actual future results may differ materially.

Factors that may cause actual results to differ materially from current expectations include, but are not limited to:

- risks associated with the lodging industry, including competition, increases in wages, labor relations, energy and fuel costs, actual and threatened pandemics, actual and threatened terrorist attacks, and downturns in domestic and international economic and market conditions, particularly in the San Francisco Bay area;
- risks associated with the real estate industry, including changes in real estate and zoning laws or regulations, increases in real property taxes, rising insurance premiums, costs of compliance with environmental laws and other governmental regulations;
- the availability and terms of financing and capital and the general volatility of securities markets;
- changes in the competitive environment in the hotel industry;
- risks related to natural disasters;
- litigation; and
- other risk factors discussed below in this Report.

We caution you not to place undue reliance on these forward-looking statements, which speak only as to the date hereof. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects on our Forms 10-K and 10-Q, and Current Reports on Form 8-K filed with the Securities and Exchange Commission.

PART I

Item 1. Business.

GENERAL

Portsmouth Square, Inc. (referred to as "Portsmouth" or the "Company" and may also be referred to as "we" "us" or "our") is a California corporation, incorporated on July 6, 1967, for the purpose of acquiring a hotel property in San Francisco, California through a California limited partnership, Justice Investors Limited Partnership ("Justice" or the "Partnership"). As of June 30, 2018, approximately 68.8% of the outstanding common stock of Portsmouth was owned by Santa Fe Financial Corporation ("Santa Fe"), a public company (OTCBB: SFEF). Santa Fe is an 81.9%-owned subsidiary of The InterGroup Corporation ("InterGroup"), a public company (NASDAQ: INTG). InterGroup also directly owns approximately 13.4% of the common stock of Portsmouth.

Portsmouth's primary business is conducted through its general and limited partnership interest in Justice. Portsmouth controls approximately 93.1% of the voting interest in Justice and is the sole general partner of Justice. The financial statements of Justice are consolidated with those of the Company. See Note 2 to the consolidated financial statements.

Justice, through its subsidiaries Justice Operating Company, LLC ("Operating"), Justice Mezzanine Company, LLC ("Mezzanine") and Kearny Street Parking, LLC ("Parking") owns 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. Mezzanine and Parking are both wholly-owned subsidiaries of the Partnership; Operating is a wholly-owned subsidiary of Mezzanine. Mezzanine is the borrower under certain mezzanine indebtedness of Justice, and in December 2013, the Partnership conveyed ownership of the Hotel to Operating. The Hotel is operated by the partnership as a full-service Hilton brand hotel pursuant to a Franchise License Agreement with HLT Franchise Holding LLC (Hilton). Justice had a management agreement with Prism Hospitality L.P. ("Prism") to perform certain management functions for the Hotel. The management agreement with Prism had an original term of ten years, subject to the Partnership's right to terminate at any time with or without cause. Effective January 2014, the management agreement with Prism was amended by the Partnership to change the nature of the services provided by Prism and the compensation payable to Prism, among other things. Prism's management agreement was terminated upon its expiration date of February 2, 2017. Justice entered into a Hotel management agreement ("HMA") with Interstate Management Company, LLC ("Interstate") 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 ten years commencing on the takeover date and automatically renews for successive one (1) year periods, to not exceed five years in the aggregate, subject to certain conditions. Under the terms on the HMA, base management fee payable to Interstate shall be one and seven-tenths (1.70%) of total Hotel revenue.

The parking garage that is part of the Hotel property was managed by Ace Parking pursuant to a contract with the Partnership. The contract was terminated with an effective termination date of October 4, 2016. The Company began managing the parking garage in-house after the termination of Ace Parking. Effective February 3, 2017, Interstate took over the management of the parking garage along with the Hotel.

Portsmouth 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.

The Company also derives income from the investment of its cash and investment securities assets. The Company has invested in income-producing instruments, equity and debt securities and may consider other investments in the future. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the Company's marketable securities and other investments.

HILTON HOTELS FRANCHISE LICENSE AGREEMENT

The Partnership entered into a Franchise License Agreement (the “License Agreement”) with the HLT Existing Franchise Holding LLC (Hilton) on November 24, 2004. The term of the License Agreement was for an initial period of fifteen years commencing on the date the Hotel began operating as a Hilton hotel, with an option to extend the License Agreement for another five years, subject to certain conditions. On June 26, 2015, Operating and Hilton entered into an amended franchise agreement that, among other things, extended the License Agreement through 2030, and provided the Partnership with certain key money cash incentives to be earned through 2030.

HOTEL MANAGEMENT COMPANY AGREEMENT

On February 2, 2007, the Partnership entered into a management agreement with Prism to manage and operate the Hotel as its agent. The original management agreement was effective for a term of ten years but was amended in January 2014. Effective January 2014, the required base management fees were amended to a fixed rate of $20,000 per month. Under the amended management agreement, Prism could also earn an incentive fee of $11,000 for each month that the revenues per room of the Hotel exceeded the average revenues per room of a defined set of competing hotels. Base management fees and incentives paid to Prism during the years ended June 30, 2018 and 2017 were $0 and $120,000, respectively. The management agreement with Prism was terminated on February 2, 2017.

On February 1, 2017, Justice entered into a Hotel management agreement with Interstate Management Company, LLC 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 ten years commencing on the takeover date and automatically renews for successive one (1) year periods, to not exceed five years in the aggregate, subject to certain conditions. Under the terms on the HMA, base management fee payable to Interstate shall be one and seven-tenths (1.70%) of total Hotel revenue. For the fiscal years ended June 30, 2018 and 2017, Interstate management fees were $957,000 and $372,000, respectively, and are included in Hotel operating expenses in the consolidated statements of operations.

GARAGE OPERATIONS

On October 31, 2010, the Partnership and Ace Parking entered into an amendment of their original parking agreement to extend the term commencing on November 1, 2010 and terminating on December 31, 2015. The parking agreement with Ace Parking was terminated with an effective termination date of October 4, 2016. Base management and incentive fees to Ace Parking were $39,000 for the year ended June 30, 2017. The Partnership began managing the parking garage in-house after the termination of Ace Parking. As part of the Hotel management agreement, Interstate, through the Partnership’s wholly-owned subsidiary, Kearny Street Parking LLC, began managing the parking garage in-house effective February 3, 2017.

CHINESE CULTURE FOUNDATION LEASE

On March 15, 2005, the Partnership entered into an amended lease with the Chinese Culture Foundation of San Francisco (the “Foundation”) for the third-floor space of the Hotel commonly known as the Chinese Culture Center, which the Foundation had right to occupy pursuant to a 50-year nominal rent lease that began in 1967.

The amended lease, among other things, requires the Partnership to pay to the Foundation a monthly event space fee in the amount of $5,000, adjusted annually based on the local Consumer Price Index. As of June 30, 2018, monthly event space fee is $5,800. The term of the amended lease expires on October 17, 2023, with an automatic extension for another 10-year term if the property continues to be operated as a hotel.

MARKETABLE SECURITIES INVESTMENT POLICIES

In addition to its Hotel and real estate operations, the Company also invests from time to time in income producing instruments, corporate debt and equity securities, publicly traded investment funds, mortgage backed securities, securities issued by REITs and other companies which invest primarily in real estate.

The Company's securities investments are made under the supervision of a Securities Investment Committee of the Board of Directors (the "Committee"). The Committee currently has three members and is chaired by the Company's Chairman of the Board and President, John V. Winfield. The Committee has delegated authority to manage the portfolio to the Company's Chairman and President together with such assistants and management committees he may engage. The Committee generally follows certain established investment guidelines for the Company's investments. These guidelines presently include: (i) corporate equity securities should be listed on the New York Stock Exchange (NYSE), NYSE MKT, NYSE Arca or the Nasdaq Stock Market (NASDAQ); (ii) the issuer of the listed securities should be in compliance with the listing standards of the applicable national securities exchange; and (iii) investment in a particular issuer should not exceed 10% of the market value of the total portfolio. The investment guidelines do not require the Company to divest itself of investments, which initially meet these guidelines but subsequently fail to meet one or more of the investment criteria. The Committee has in the past approved non-conforming investments and may in the future approve non-conforming investments. The Committee may modify these guidelines from time to time.

The Company may also invest, with the approval of the Committee, in unlisted securities, such as convertible notes, through private placements including private equity investment funds. Those investments in non-marketable securities are carried at cost on the Company's balance sheet as part of other investments and reviewed for impairment on a periodic basis. As of June 30, 2018 and 2017, the Company had other investments of $267,000 and $389,000, respectively.

As part of its investment strategies, the Company may assume short positions in marketable securities. Short sales are used by the Company to potentially offset normal market risks undertaken in the course of its investing activities or to provide additional return opportunities. As of June 30, 2018 and 2017, the Company had obligations for securities sold (equities short) of $512,000 and $867,000, respectively.

In addition, the Company may utilize margin for its marketable securities purchases through the use of standard margin agreements with national brokerage firms. The margin used by the Company may fluctuate depending on market conditions. The use of leverage could be viewed as risky and the market values of the portfolio may be subject to large fluctuations. Margin balances due at June 30, 2018 and 2017 were $490,000 and $592,000, respectively.

As Chairman of the Committee, the Company's Chairman and President, John V. Winfield, directs the investment activity of the Company in public and private markets pursuant to authority granted by the Board of Directors. Mr. Winfield also serves as Chief Executive Officer and Chairman of Santa Fe and InterGroup and oversees the investment activity of those companies. Depending on certain market conditions and various risk factors, the Chief Executive Officer, Santa Fe and InterGroup may, at times, invest in the same companies in which the Company invests. Such investments align the interests of the Company with the interests of these related parties because it places the personal resources of the Chief Executive Officer and the resources of Santa Fe and InterGroup, at risk in substantially the same manner as the Company in connection with investment decisions made on behalf of the Company.

Further information with respect to investment in marketable securities and other investments of the Company is set forth in Management Discussion and Analysis of Financial Condition and Results of Operations section and Notes 5 and 6 of the Notes to Consolidated Financial Statements.

Seasonality

Hotel's operations historically have been seasonal. Like most hotels in the San Francisco area, the Hotel generally maintains high occupancy and room rates during the entire year except for the weeks starting Thanksgiving through the end of the calendar year due to the holiday season. These seasonal patterns can be expected to cause fluctuations in the quarterly revenues of the Hotel.

Competition

The hotel industry is highly competitive. Competition is based on a number of factors, most notably convenience of location, brand affiliation, price, range of services and guest amenities or accommodations offered and quality of customer service. Competition is often specific to the individual market in which properties are located. The San Francisco market is a very competitive market with a high supply of guest rooms and meeting space in the area. During fiscal 2017, we began the work with Hilton-approved providers to overhaul all technical aspects of the Hotel whereby when completed, we expect to have an edge over our competitors by implementing advanced state of the art systems for which we anticipate a complete implementation during fiscal 2019. Specifically, the complete overhaul of the infrastructure of the Internet in the guest rooms and meeting space will enable the Hotel to compete in this market. This investment will allow the hotel to go to market with specific measurable statistics that will help win the much-coveted technology company meetings. We have purchased 55" 4k smart televisions for all guest rooms and common areas which will be installed during the second quarter of fiscal 2019. In fiscal 2018, an architecture firm has been contracted to design the new guest rooms which have been approved by Hilton and the model room is in the works. We plan to bring back 14 guest rooms on the 5th floor as part of the initial phase of this renovation project and the next phase will include additional rooms being added on the 27th and 26th floor.

Our highest priority is guest satisfaction. We believe that enhancing the guest experience differentiates the Hotel from our competition and is critical to the Hotel's objective of building sustainable guest loyalty. In order to make a large impact on guest experience, the Hotel will continue training team members on Hilton brand standards and guest satisfaction, hiring and retaining talents in key operations, and enhancing the arrival experience.

The Hotel is focusing on high-end clients with more banquets and meeting room requirements. Moving forward, the Hotel will continue to focus on cultivating international business, especially from China, and capturing a greater percentage of the higher rated business, leisure and group travel. We believe that our Hotel's location in the San Francisco Financial District lends itself to greater opportunities than our competitors when it comes to developing relationships with the financial district entities and will focus on establishing a greater client base. The Hotel will also continue in our efforts to expand guest rooms and facilities and explore new and innovative ways to differentiate the Hotel from its competition. The hotel will capitalize on the increased hotel occupancy, rates and overall hotel property value upon completion of the Moscone Center expansion and improvement project which is scheduled to be completed in December of 2018. However, like all hotels, the Hotel will remain subject to the uncertain domestic and global economic environment and other risk factors beyond our control, such as the effect of natural disasters and economic uncertainties.

The Hotel is also subject to certain operating risks common to all of the hotel industry, which could adversely impact performance. These risks include:

- Competition for guests and meetings from other hotels including competition and pricing pressure from internet wholesalers and distributors;
- increases in operating costs, including wages, benefits, insurance, property taxes and energy, due to inflation and other factors, which may not be offset in the future by increased room rates;
- labor strikes, disruptions or lock outs;
- dependence on demand from business and leisure travelers, which may fluctuate and is seasonal;
- increases in energy costs, cost of fuel, airline fares and other expenses related to travel, which may negatively affect traveling;
- terrorism, terrorism alerts and warnings, wars and other military actions, pandemics or other medical events or warnings which may result in decreases in business and leisure travel;
- natural disasters; and
- adverse effects of downturns and recessionary conditions in international, national and/or local economies and market conditions.

Environmental Matters

In connection with the ownership of the Hotel, the Company is subject to various federal, state and local laws, ordinances and regulations relating to environmental protection. Under these laws, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, under or in such property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances.

Environmental consultants retained by the Partnership or its lenders conducted updated Phase I environmental site assessments in fiscal year ended June 30, 2014 on the Hotel property. These Phase I assessments relied, in part, on Phase I environmental assessments prepared in connection with the Partnership's first mortgage loan obtained in December 2013. Phase I assessments are designed to evaluate the potential for environmental contamination on properties based generally upon site inspections, facility personnel interviews, historical information and certain publicly-available databases; however, Phase I assessments will not necessarily reveal the existence or extent of all environmental conditions, liabilities or compliance concerns at the properties.

Although the Phase I assessments and other environmental reports we have reviewed disclose certain conditions on our property and the use of hazardous substances in operation and maintenance activities that could pose a risk of environmental contamination or liability, we are not aware of any environmental liability that we believe would have a material adverse effect on our business, financial position, results of operations or cash flows.

The Company believes that the Hotel is in compliance, in all material respects, with all federal, state and local environmental ordinances and regulations regarding hazardous or toxic substances and other environmental matters, the violation of which could have a material adverse effect on the Company. The Company has not received written notice from any governmental authority of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of its present properties.

EMPLOYEES

As of June 30, 2018, Portsmouth had two full-time employees. The employees of the Company are not part of any collective bargaining agreement, and the Company believes that its employee relations are satisfactory.

Effective February 3, 2017, the Partnership had no employees. On February 3, 2017, Interstate assumed all labor union agreements and retained employees of their choice to continue providing services to the Hotel. As of June 30, 2018, approximately 85% of those employees were represented by one of four labor unions, and their terms of employment were determined under various collective bargaining agreements ("CBAs") to which the Partnership was a party. During the year ended June 30, 2018, the Partnership renewed the CBA for Local 856 (International Brotherhood of Teamsters). The present CBAs for Local 2 (Hotel and Restaurant Employees), Local 39 (Stationary Engineers), and Local 665 (Parking Employees) will expire on August 13, 2018, July 31, 2018, and November 30, 2018, respectively.

Negotiation of collective bargaining agreements, which includes not just terms and conditions of employment, but scope and coverage of employees, is a regular and expected course of business operations for the Partnership. The Partnership expects and anticipates that the terms of conditions of the CBAs will have an impact on wage and benefit costs, operating expenses, and certain hotel operations during the life of the CBAs, and incorporates these principles into its operating and budgetary practices.

ADDITIONAL INFORMATION

The Company files annual and quarterly reports on Forms 10-K and 10-Q, current reports on Form 8-K and other information with the Securities and Exchange Commission ("SEC" or the "Commission"). The public may read and copy any materials that we file with the Commission at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, on official business days during the hours of 10:00 a.m. to 3:00 p.m. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission also maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission.

Other information about the Company can be found on our parent company's website www.intgla.com. Reference in this document to that website address does not constitute incorporation by reference of the information contained on the website.

Item 1A. Risk Factors.

Adverse changes in the U.S. and global economies could negatively impact our financial performance.

Due to a number of factors affecting consumers, the outlook for the lodging industry remains uncertain. These factors have resulted at times in the past and could continue to result in the future in fewer customers visiting, or customers spending less, in San Francisco, as compared to prior periods. Leisure travel and other leisure activities represent discretionary expenditures, and participation in such activities tends to decline during economic downturns, during which consumers generally have less disposable income. As a result, in those times customer demand for the luxury amenities and leisure activities that we offer may decline. Furthermore, during periods of economic contraction, revenues may decrease while some of our costs remain fixed or even increase, resulting in decreased earnings.

We operate a single property located in San Francisco and rely on the San Francisco market. Changes adversely impacting this market could have a material effect on our business, financial condition and results of operations.

Our business has a limited base of operations and substantially all of our revenues are currently generated by the Hotel. Accordingly, we are subject to greater risks than a more diversified hotel or resort operator and the profitability of our operations is linked to local economic conditions in San Francisco. The combination of a decline in the local economy of San Francisco, reliance on a single location and the significant investment associated with it may cause our operating results to fluctuate significantly and may adversely affect us and materially affect our total profitability.

We face intense local and increasingly national competition which could impact our operations and adversely affect our business and results of operations.

We operate in the highly-competitive San Francisco hotel industry. The Hotel competes with other high-quality Northern California hotels and resorts. Many of these competitors seek to attract customers to their properties by providing, food and beverage outlets, retail stores and other related amenities, in addition to hotel accommodations. To the extent that we seek to enhance our revenue base by offering our own various amenities, we compete with the service offerings provided by these competitors.

Many of the competing properties have themes and attractions which draw a significant number of visitors and directly compete with our operations. Some of these properties are operated by subsidiaries or divisions of large public companies that may have greater name recognition and financial and marketing resources than we do and market to the same target demographic group as we do. Various competitors are expanding and renovating their existing facilities. We believe that competition in the San Francisco hotel and resort industry is based on certain property-specific factors, including overall atmosphere, range of amenities, price, location, entertainment attractions, theme and size. Any market perception that we do not excel with respect to such property-specific factors could adversely affect our ability to compete effectively. If we are unable to compete effectively, we could lose market share, which could adversely affect our business and results of operations.

The San Francisco hotel and resort industry is capital intensive; financing our renovations and future capital improvements could reduce our cash flow and adversely affect our financial performance.

The Hotel has an ongoing need for renovations and other capital improvements to remain competitive, including replacement, from time to time, of furniture, fixtures and equipment. We will also need to make capital expenditures to comply with applicable laws and regulations.

Renovations and other capital improvements of hotels require significant capital expenditures. In addition, renovations and capital improvements of hotels usually generate little or no cash flow until the project's completion. We may not be able to fund such projects solely from cash provided from our operating activities. Consequently, we will rely upon the availability of debt or equity capital and reserve funds to fund renovations and capital improvements and our ability to carry them out will be limited if we cannot obtain satisfactory debt or equity financing, which will depend on, among other things, market conditions. No assurances can be made that we will be able to obtain additional equity or debt financing or that we will be able to obtain such financing on favorable terms.

Renovations and other capital improvements may give rise to the following additional risks, among others: construction cost overruns and delays; temporary closures of all or a portion of the Hotel to customers; disruption in service and room availability causing reduced demand, occupancy and rates; and possible environmental issues.

As a result, renovations and any other future capital improvement projects may increase our expenses, reduce our cash flows and our revenues. If capital expenditures exceed our expectations, this excess would have an adverse effect on our available cash.

We have substantial debt, and we may incur additional indebtedness, which may negatively affect our business and financial results.

We have substantial debt service obligations. Our substantial debt may negatively affect our business and operations in several ways, including: requiring us to use a substantial portion of our funds from operations to make required payments on principal and interest, which will reduce funds available for operations and capital expenditures, future business opportunities and other purposes; making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions; limiting our flexibility in planning for, or reacting to, changes in the business and the industry in which we operate; placing us at a competitive disadvantage compared to our competitors that have less debt; limiting our ability to borrow more money for operations, capital or to finance acquisitions in the future; and requiring us to dispose of assets, if needed, in order to make required payments of interest and principal.

Our business model involves high fixed costs, including property taxes and insurance costs, which we may be unable to adjust in a timely manner in response to a reduction in our revenues.

The costs associated with owning and operating the Hotel are significant. Some of these costs (such as property taxes and insurance costs) are fixed, meaning that such costs may not be altered in a timely manner in response to changes in demand for services. Failure to adjust our expenses may adversely affect our business and results of operations. Our real property taxes may increase as property tax rates change and as the values of properties are assessed and reassessed by tax authorities. Our real estate taxes do not depend on our revenues, and generally we could not reduce them other than by disposing of our real estate assets.

Insurance premiums have increased significantly in recent years, and continued escalation may result in our inability to obtain adequate insurance at acceptable premium rates. A continuation of this trend would appreciably increase the operating expenses of the Hotel. If we do not obtain adequate insurance, to the extent that any of the events not covered by an insurance policy materialize, our financial condition may be materially adversely affected.

In the future, our property may be subject to increases in real estate and other tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, which could reduce our cash flow and adversely affect our financial performance. If our revenues decline and we are unable to reduce our expenses in a timely manner, our business and results of operations could be adversely affected.

Risk of declining market values in marketable securities.

The Company invests from time to time in marketable securities. As a result, the Company is exposed to market volatility in connection with these investments. The Company's financial position and financial performance could be adversely affected by worsening market conditions or sluggish performance of such investments.

Illiquidity risk in nonmarketable securities

Nonmarketable securities are, by definition, instruments that are not readily salable in the capital markets, and when sold are usually at a substantial discount. Thus, the holder is limited to return on investment from any income producing feature of the instrument, as any sale of such an instrument would be subject to a substantial discount. Thus, a holder may need to hold such instruments for long period of time and not be able to realize a return of their cash investment should there be a need to liquidate to obtain cash at any given time.

Litigation and legal proceedings could expose us to significant liabilities and thus negatively affect our financial results.

We are a party, from time to time, to various litigation claims and legal proceedings, government and regulatory inquiries and/or proceedings, including, but not limited to, intellectual property, premises liability and breach of contract claims. Material legal proceedings are described more fully in Note 17, Commitments and Contingencies, to our consolidated financial statements, included in Item 8 of this Annual Report on Form 10-K.

Litigation is inherently unpredictable, and defending these proceedings can result in significant ongoing expenditures and the diversion of our management's time and attention from the operation of our business, which could have a negative effect on our business operations. Our failure to successfully defend or settle any litigation or legal proceedings could result in liabilities that, to the extent not covered by our insurance, could have a material adverse effect on our financial condition, revenue and profitability.

The threat of terrorism could adversely affect the number of customer visits to the Hotel.

The threat of terrorism has caused, and may in the future cause, a significant decrease in customer visits to San Francisco due to disruptions in commercial and leisure travel patterns and concerns about travel safety. We cannot predict the extent to which disruptions in air or other forms of travel as a result of any further terrorist act, outbreak of hostilities or escalation of war would adversely affect our financial condition, results of operations or cash flows. The possibility of future attacks may hamper business and leisure travel patterns and, accordingly, the performance of our business and our operations.

We depend on third party management companies for the future success of our business and the loss of one or more of their key personnel could have an adverse effect on our ability to manage our business and operate successfully and competitively, or could be negatively perceived in the capital markets.

The Hotel is managed by Interstate. Their ability to manage the Company's business and operate successfully and competitively is dependent, in part, upon the efforts and continued service of their managers. The departure of key personnel of current or future management companies could have an adverse effect on our business and our ability to operate successfully and competitively, and it could be difficult to find replacements for these key personnel, as competition for such personnel is intense.

Seasonality and other related factors such as weather can be expected to cause quarterly fluctuations in revenue at the Hotel.

The hotel and resort industry are seasonal in nature. This seasonality can tend to cause quarterly fluctuations in revenues at the Hotel. Our quarterly earnings may also be adversely affected by other related factors outside our control, including weather conditions and poor economic conditions. As a result, we may have to enter into short-term borrowings in certain quarters in order to offset these quarterly fluctuations in our revenues.

The hotel industry is heavily regulated and failure to comply with extensive regulatory requirements may result in an adverse effect on our business.

The hotel industry is subject to extensive regulation and the Hotel must maintain its licenses and pay taxes and fees to continue operations. Our property is subject to numerous laws, including those relating to the preparation and sale of food and beverages, including alcohol. We are also subject to laws governing our relationship with our employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and firing employees and work permits. Also, our ability to remodel, refurbish or add to our property may be dependent upon our obtaining necessary building permits from local authorities. The failure to obtain any of these permits could adversely affect our ability to increase revenues and net income through capital improvements of our property. In addition, we are subject to the numerous rules and regulations relating to state and federal taxation. Compliance with these rules and regulations requires significant management attention. Furthermore, compliance costs associated with such laws, regulations and licenses are significant. Any change in the laws, regulations or licenses applicable to our business or a violation of any current or future laws or regulations applicable to our business or gaming license could require us to make substantial expenditures or could otherwise negatively affect our gaming operations. Any failure to comply with all such rules and regulations could subject us to fines or audits by the applicable taxation authority.

Violations of laws could result in, among other things, disciplinary action. If we fail to comply with regulatory requirements, this may result in an adverse effect on our business.

Uninsured and underinsured losses could adversely affect our financial condition and results of operations.

There are certain types of losses, generally of a catastrophic nature, such as earthquakes and floods or terrorist acts, which may be uninsurable or not economically insurable, or may be subject to insurance coverage limitations, such as large deductibles or co-payments. We will use our discretion in determining amounts, coverage limits, deductibility provisions of insurance and the appropriateness of self-insuring, with a view to maintaining appropriate insurance coverage on our investments at a reasonable cost and on suitable terms. Uninsured and underinsured losses could harm our financial condition and results of operations. We could incur liabilities resulting from loss or injury to the Hotel or to persons at the Hotel. Claims, whether or not they have merit, could harm the reputation of the Hotel or cause us to incur expenses to the extent of insurance deductibles or losses in excess of policy limitations, which could harm our results of operations.

In the event of a catastrophic loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost investment. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in the Hotel, as well as the anticipated future revenue from the property. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the Hotel. In the event of a significant loss, our deductible may be high, and we may be required to pay for all such repairs and, as a consequence, it could materially adversely affect our financial condition. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate the Hotel after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property.

It has generally become more difficult and expensive to obtain property and casualty insurance, including coverage for terrorism. When our current insurance policies expire, we may encounter difficulty in obtaining or renewing property or casualty insurance on our property at the same levels of coverage and under similar terms. Such insurance may be more limited and for some catastrophic risks (for example, earthquake, flood and terrorism) may not be generally available at current levels. Even if we are able to renew our policies or to obtain new policies at levels and with limitations consistent with our current policies, we cannot be sure that we will be able to obtain such insurance at premium rates that are commercially reasonable. If we were unable to obtain adequate insurance on the Hotel for certain risks, it could cause us to be in default under specific covenants on certain of our indebtedness or other contractual commitments that require us to maintain adequate insurance on the Hotel to protect against the risk of loss. If this were to occur, or if we were unable to obtain adequate insurance and the Hotel experienced damage which would otherwise have been covered by insurance, it could materially adversely affect our financial condition and the operations of the Hotel.

In addition, insurance coverage for the Hotel and for casualty losses does not customarily cover damages that are characterized as punitive or similar damages. As a result, any claims or legal proceedings, or settlement of any such claims or legal proceedings that result in damages that are characterized as punitive or similar damages may not be covered by our insurance. If these types of damages are substantial, our financial resources may be adversely affected.

You may lose all or part of your investment.

There is no assurance that the Company's initiatives to improve its profitability or liquidity and financial position will be successful. Accordingly, there is substantial risk that an investment in the Company will decline in value.

The price of the Company's common stock may fluctuate significantly, which could negatively affect the Company and holders of its common stock.

The market price of the Company's common stock may fluctuate significantly from time to time as a result of many factors, including: investors' perceptions of the Company and its prospects; investors' perceptions of the Company's and/or the industry's risk and return characteristics relative to other investment alternatives; difficulties between actual financial and operating results and those expected by investors and analysts; changes in our capital structure; trading volume fluctuations; actual or anticipated fluctuations in quarterly financial and operational results; volatility in the equity securities market; and sales, or anticipated sales, of large blocks of the Company's common stock.

The concentrated beneficial ownership of our common stock and the ability it affords to control our business may limit or eliminate other shareholders' ability to influence corporate affairs.

Santa Fe and InterGroup collectively own more than 80% of the Company's outstanding common stock. Because of this concentrated stock ownership, the Company's largest shareholders will be in a position to significantly influence the election of the Company's board of directors and all other decisions on all matters requiring shareholder approval. As a result, the ability of other shareholders to determine the management and policies of the Company is significantly limited. The interests of these shareholders may differ from the interests of other shareholders with respect to the issuance of shares, business transactions with or sales to other companies, selection of officers and directors and other business decisions. This level of control may also have an adverse impact on the market value of our shares because our largest shareholders may institute or undertake transactions, policies or programs that may result in losses, may not take any steps to increase our visibility in the financial community and/or may sell sufficient numbers of shares to significantly decrease our price per share.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

SAN FRANCISCO HOTEL PROPERTY

The Hotel is owned by the Partnership through its wholly-owned subsidiary, Operating. The Hotel is centrally located in the Financial District in San Francisco, one block from the Transamerica Pyramid. The Embarcadero Center is within walking distance and North Beach is two blocks away. Chinatown is directly across the bridge that runs from the Hotel to Portsmouth Square Park. The Hotel is a 31-story (including parking garage), steel and concrete, A-frame building, built in 1970. The Hotel has 544 well-appointed guest rooms and luxury suites situated on 22 floors. The third floor houses the Chinese Culture Center and grand ballroom. The Hotel has approximately 22,000 square feet of meeting room space, including the grand ballroom. Other features of the Hotel include a 5-level underground parking garage and pedestrian bridge across Kearny Street connecting the Hotel and the Chinese Culture Center with Portsmouth Square Park in Chinatown. The bridge, built and owned by the Partnership, is included in the lease to the Chinese Culture Center.

The Partnership expects to expend at least 4% of gross annual Hotel revenues each year for capital improvements. In the opinion of management, the Hotel is adequately covered by insurance.

HOTEL FINANCINGS

On December 18, 2013: (i) Justice Operating Company, LLC, a Delaware limited liability company (“Operating”), entered into a loan agreement (“Mortgage Loan Agreement”) with Bank of America (“Mortgage Lender”); and (ii) Justice Mezzanine Company, a Delaware limited liability company (“Mezzanine”), entered into a mezzanine loan agreement (“Mezzanine Loan Agreement” and, together with the Mortgage Loan Agreement, the “Loan Agreements”) with ISBI San Francisco Mezz Lender LLC (“Mezzanine Lender” and, together with Mortgage Lender, the “Lenders”). The Partnership is the sole member of Mezzanine, and Mezzanine is the sole member of Operating.

The Loan Agreements provide for a $97,000,000 Mortgage Loan and a $20,000,000 Mezzanine Loan. The proceeds of the Loan Agreements were used to fund the redemption of limited partnership interests and the pay-off of the prior mortgage.

The Mortgage Loan is secured by the Partnership’s principal asset, the Hotel. The Mortgage Loan bears an interest rate of 5.275% per annum and matures in January 2024. The term of the loan is ten years with interest only due in the first three years and principal and interest payments to be made during the remaining seven years of the loan based on a thirty year amortization schedule. The Mortgage Loan also requires payments for impounds related to property tax, insurance and capital improvement reserves. As additional security for the Mortgage Loan, there is a limited guaranty (“Mortgage Guaranty”) executed by the Company in favor of Mortgage Lender.

The Mezzanine Loan is secured by the Operating membership interest held by Mezzanine and is subordinated to the Mortgage Loan. The Mezzanine Loan bears interest at 9.75% per annum and matures on January 1, 2024. Interest only payments are due monthly. As additional security for the Mezzanine Loan, there is a limited guaranty executed by the Company in favor of Mezzanine Lender (the “Mezzanine Guaranty” and, together with the Mortgage Guaranty, the “Guaranties”).

The Guaranties are limited to what are commonly referred to as “bad boy” acts, including: (i) fraud or intentional misrepresentations; (ii) gross negligence or willful misconduct; (iii) misapplication or misappropriation of rents, security deposits, insurance or condemnation proceeds; and (iv) failure to pay taxes or insurance. The Guaranties are full recourse guaranties under identified circumstances, including failure to maintain “single purpose” status which is a factor in a consolidation of Operating or Mezzanine in a bankruptcy of another person, transfer or encumbrance of the Property in violation of the applicable loan documents, Operating or Mezzanine incurring debts that are not permitted, and the Property becoming subject to a bankruptcy proceeding. Pursuant to the Guaranties, the Partnership is required to maintain a certain minimum net worth and liquidity. Effective as of May 12, 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 a certain net worth and liquidity. As of June 30, 2018, InterGroup is in compliance with both requirements.

Each of the Loan Agreements contains customary representations and warranties, events of default, reporting requirements, affirmative covenants and negative covenants, which impose restrictions on, among other things, organizational changes of the respective borrower, operations of the Property, agreements with affiliates and third parties. Each of the Loan Agreements also provides for mandatory prepayments under certain circumstances (including casualty or condemnation events) and voluntary prepayments, subject to satisfaction of prescribed conditions set forth in the Loan Agreements.

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 two 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 Justice Holdings Company, LLC (“Holdings”) described in Note 2. The loan was extended to December 31, 2018. As of June 30, 2018, the balance of the loan was $3,000,000.

In March 2017, Portsmouth obtained from InterGroup an unsecured loan in the principal amount of $2,700,000 at 5% per year fixed interest, with a term of one-year, payable interest only each month. In April 2017, the balance of the loan was repaid along with all accrued interest.

In April 2017, Portsmouth obtained from InterGroup an unsecured short-term loan in the principal amount of $1,000,000 at 5% per year fixed interest, with a term of five months and maturing September 6, 2017. Accrued interest and monthly principal installments in the amount of $200,000 were due and payable commencing on May 1, 2017 and continuing on the first day of each calendar month thereafter, until five months after the date of the loan at which time any unpaid balance of principal and interest on the note was due and payable. The loan was extended to September 15, 2017 and paid off on September 13, 2017.

INVESTMENT IN REAL ESTATE

On August 29, 2007, the Board of Directors authorized an investment of $973,000 for Portsmouth to acquire a 50% equity interest in InterGroup Uluniu, Inc., a Hawaii corporation ("Uluniu") in a related party transaction. Uluniu was a 100% owned subsidiary of The InterGroup Corporation ("InterGroup"). Uluniu owns an approximately two-acre parcel of unimproved land located in Kihei, Maui, Hawaii which is held for development. The Company's investment in Uluniu represents an amount equal to the costs paid by InterGroup for the acquisition and carrying costs of the property through August 2007. The fairness of the financial terms of the transaction were reviewed and approved by the independent director of the Company.

Item 3. Legal Proceedings.

In 2013, the City and County of San Francisco ("CCSF") Office of the Assessor Recorder claimed that Justice owed $2.1 million for Transient Occupancy Tax and Tourist Improvement District Assessment. This amount exceeded Justice's estimate of the taxes owed, and Justice disputed the claim. The Partnership paid the full amount in March 2014 as part of the appeals process. On December 18, 2013, a Documentary Transfer Tax of approximately $4.7 million was paid under protest to CCSF. CCSF had required payment as a condition of recording the transfer of the Hotel, which was necessary to affect the Loan Agreements. The Partnership then filed a lawsuit challenging the transfer tax in San Francisco County Superior Court. During the year ended June 30, 2016, the Partnership settled the two CCSF lawsuits, receiving $1.45 million.

In 2014, Evon Corporation ("Evon") filed a complaint in San Francisco Superior Court against the Partnership, Portsmouth, and a limited partner and related party asserting contract and tort claims based on Justice's withholding of $4.7 million to pay the transfer tax described above. Evon's complaint asserted various tort and contract claims against Justice and Portsmouth; and a tort against a Justice limited partner and related party. In July 2014, Justice paid to Holdings $4.7 million, the amount Evon claimed to be incorrectly withheld. In June 2014, the Partnership sued Evon and related defendants, seeking a judicial declaration as to certain issues arising out of the partnership redemption documents. Evon filed a cross-complaint in December 2014, alleging torts against the Partnership in connection with the redemption transaction. On May 5, 2016, Justice Investors and Portsmouth (parent company) settled these actions via a global settlement agreement. The Partnership agreed to pay Evon $5,575,000. As of January 10, 2017, the Company has satisfied all conditions of the settlement agreement.

In March 2017, Justice entered into a settlement agreement with RSUI Indemnity Company ("RSUI"), the insurer for Portsmouth's Directors and Officers Liability Policies. Under this settlement agreement, Justice received $900,000 from RSUI to resolve allegations that RSUI had committed breach of contract and bad faith in handling a claim. The $900,000 was recorded as a reduction of legal expense for the fiscal year ended June 30, 2017.

In April 2014, the Partnership commenced an arbitration action against Glaser Weil Fink Howard Avchen & Shapiro, LLP (formerly known as Glaser Weil Fink Jacobs Howard Avchen & Shapiro, LLP), Brett J. Cohen, Gary N. Jacobs, Janet S. McCloud, Paul B. Salvaty, and Joseph K. Fletcher III (collectively, the "Respondents") in connection with the redemption transaction. The arbitration alleged legal malpractice against the Respondents and sought declaratory relief regarding provisions of the option agreement in the redemption transaction and regarding the engagement letter with Respondents. Prior to arbitration proceedings, the parties agreed in principle to settle the matter, and entered into a settlement agreement and mutual general release in April 2018. The Respondents agreed to pay $8,300,000, which was received in May of 2018. $5,575,000 was recorded as a recovery of legal settlement cost and $2,725,000 was recorded as a reduction of legal expense for the fiscal year ended June 30, 2018.

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends 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 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

MARKET INFORMATION

Portsmouth’s common stock is traded on the OTC Market, Inc.’s Pink tier under the symbol PRSI. The following table sets forth the range of the high and low bid quotations as reported by OTC Market, Inc. for Portsmouth’s common stock for each full quarterly period for the years ended June 30, 2018 and 2017. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not represent actual transactions.

Fiscal 2018	High	Low
First Quarter (7/ 1 to 9/30)	$ 70.00	$ 57.00
Second Quarter (10/1 to 12/31)	$ 63.01	$ 63.01
Third Quarter (1/1 to 3/31)	$ 70.00	$ 62.00
Fourth Quarter (4/1 to 6/30)	$ 77.00	$ 70.00

Fiscal 2017	High	Low
First Quarter (7/ 1 to 9/30)	$ 54.00	$ 51.00
Second Quarter (10/1 to 12/31)	$ 52.50	$ 51.00
Third Quarter (1/1 to 3/31)	$ 61.00	$ 52.50
Fourth Quarter (4/1 to 6/30)	$ 70.00	$ 61.00

As of June 30, 2018, the number of holders of record of the Company’s Common Stock was approximately 102. Such number of owners was determined from the Company's shareholders records and does not include beneficial owners of the Company's Common Stock whose shares are held in the names of various brokers, clearing agencies or other nominees.

DIVIDENDS

It is expected that the Company will not consider a return to a regular dividend policy until such time that Partnership cash flows, distributions and other economic factors warrant such consideration. The Company will continue to review and modify its dividend policy as needed to meet such strategic and investment objectives as may be determined by the Board of Directors.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Portsmouth has no securities authorized for issuance under equity compensation plans.

PURCHASES OF EQUITY SECURITIES

Portsmouth did not repurchase any of its own securities during the fourth quarter of its fiscal year ending June 30, 2018 and does not have any publicly announced repurchase program.

Item 6. Selected financial Data.

Not required for smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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 544-room hotel property located at 750 Kearny Street, San Francisco, California 94108, known as the "Hilton San Francisco Financial District" (the "Hotel" or the "Property") 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 License Agreement with Hilton. The Partnership entered into the License Agreement on December 10, 2004. The term of the License Agreement was for an initial period of 15 years commencing on the reopening date, upon completion of a major renovation, with an option to extend the License Agreement for another five years, subject to certain conditions. On June 26, 2015, the Partnership and Hilton entered into an amended franchise agreement which extended the License Agreement through 2030, modified the monthly royalty rate, extended geographic protection to the Partnership and also provided the Partnership certain key money cash incentives to be earned through 2030. The key money cash incentive of $4,750,000 was received on July 1, 2015.

After a lengthy review process of several national third-party hotel management companies, on February 1, 2017, Justice entered into a Hotel management agreement ("HMA") with Interstate Management Company, LLC ("Interstate") to manage the Hotel with an effective takeover date of February 3, 2017. The term of 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 the aggregate subject to certain conditions. The HMA also provides for Interstate 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 parking garage that is part of the Hotel property was managed by Ace Parking pursuant to a contract with the Partnership. The contract was terminated with an effective termination date of October 4, 2016. The Company began managing the parking garage in-house after the termination of Ace Parking. Effective February 3, 2017, Interstate took over the management of the parking garage along with the Hotel.

Fiscal Year Ended June 30, 2018 Compared to Fiscal Year Ended June 30, 2017

The Company had net income of $4,460,000 for the year ended June 30, 2018 compared to net income of $395,000 for the year ended June 30, 2017. The increase in net income was primarily attributable to the receipt of $8,300,000 in settlement proceeds related to the Glaser matter as described in Item 3 - Legal Proceedings. The increase in net income was offset by $5,790,000 increase in provision for income tax expense.

The Company had net income from Hotel operations of $12,456,000 for the year ended June 30, 2018 compared to net income of $2,707,000 for the year ended June 30, 2017. The increase in net income was primarily attributable to the receipt of $8,300,000 in settlement proceeds related to the Glaser matter.

The following table sets forth a more detailed presentation of Hotel operations for the years ended June 30, 2018 and 2017.

For the year ended June 30,		**2018**		**2017**
Hotel revenues:				
Hotel rooms	$	46,475,000	$	45,012,000
Food and beverage		7,222,000		5,934,000
Garage		3,011,000		2,695,000
Other operating departments		391,000		693,000
Total hotel revenues		57,099,000		54,334,000
Operating expenses, excluding non-recurring charges, interest, depreciation and amortization		(40,103,000)		(41,031,000)
Operating income before non-recurring charges, interest, depreciation and amortization		16,996,000		13,303,000
Recovery of legal settlement costs		5,775,000		-
Income before interest, depreciation and amortization		22,771,000		13,303,000
Interest expense – mortgage		(7,806,000)		(7,736,000)
Depreciation and amortization expense		(2,509,000)		(2,860,000)
Net income from Hotel operations	$	12,456,000	$	2,707,000

For the year ended June 30, 2018, the Hotel generated operating income of $16,996,000 before non-recurring charges, interest, depreciation, and amortization on total operating revenues of $57,099,000 compared to operating income of $13,303,000 before non-recurring charges, interest, depreciation, and amortization on total operating revenues of $54,334,000 for the year ended June 30, 2017. Room revenues increased by $1,463,000 for the year ended June 30, 2018 compared to the year ended June 30, 2017 primarily as a result of increased occupancy due to strategic changes of our sales strategy along with increased group room nights. Hotel focused on sellout efficiency specifically on shoulder days and months. Food and beverage revenue increased by $1,288,000 for the year ended June 30, 2018 compared to the year ended June 30, 2017 primarily due to the increased per group room night banquet food and beverage contribution as well as increased audio-visual spending.

Operating expenses decreased by $928,000 for the year ended June 30, 2018 to $40,103,000 compared to the year ended June 30, 2017 of $41,031,000 primarily due to the receipt of settlement proceeds related to the Glaser matter. The reduction of $2,725,000 in legal expense related to the Glaser matter was offset by increase in legal expenses due to the same matter.

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 year ended June 30, 2018 and 2017.

For the Year Ended June 30,		**Average Daily Rate**	**Average Occupancy %**		**RevPAR**
2018	$	250	94%	$	235
2017	$	250	91%	$	227

The Hotel's continued focus on growing occupancy during off peak timeframes resulted in the $8 RevPAR growth from fiscal year 2017. While the Hotel focused on rate growth over peak demands of midweek, the growth of occupancy came over weekends and holidays which resulted in the overall rate remaining flat year over year at $250.

We believe that enhancing the Hotel's technology is critical and to that end, we are currently working with all Hilton approved vendors to upgrade all technical aspects of the Hotel and the implementation of state-of-the-art systems that will set us apart from our competitors. We have made ten additional rooms available by eliminating the Justice administrative office from the Hotel and relocating the accounting department to administrative space and eliminated the unprofitable Wellness Center that was added by previous management. We anticipate that the additional ten rooms will be placed into service within the fiscal year ending June 30, 2019. Additionally, the fitness center which is occupying the equivalent of five rooms and the executive lounge which is occupying the equivalent of three rooms, will be relocated to a different area within the hotel. The eight equivalent rooms will be placed back into service. Part of this renovation will be funded by the Hotel's furniture, fixture and equipment reserve account with our lender as well as the $2,000,000 key money incentive provided by Interstate. Lastly, we anticipate the completion of the installation of a complete exterior building maintenance system during fiscal 2019 in order to wash the windows periodically.

The Company had a net loss on marketable securities of $854,000 for the year ended June 30, 2018 compared to a net loss on marketable securities of $1,295,000 for the year ended June 30, 2017. For the year ended June 30, 2018, the Company had an unrealized loss of $1,138,000 related to the Company's investment in the common stock of Comstock Mining Inc. ("Comstock" - NYSE MKT: LODE). For the year ended June 30, 2017, the Company had an unrealized loss of $1,511,000 related to the Company's investment in the common stock of Comstock. As of June 30, 2018 and 2017, investments in Comstock represent approximately 18% and 42%, respectively, of the Company's investment portfolio. For the year ended June 30, 2018, the Company had a net realized gain of $197,000 and a net unrealized loss of $1,051,000. For the year ended June 30, 2017, the Company had a net realized gain of $26,000 and a net unrealized loss of $1,321,000. Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's results of operations. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company's marketable securities see the Marketable Securities section below.

During the year ended June 30, 2018 and 2017, the Company performed an impairment analysis of its other investments and determined its investments had an other than temporary impairment and recorded impairment losses of $72,000 and $60,000, respectively.

The Company consolidates Justice (Hotel) for financial reporting purposes and is not taxed on its non-controlling interest in the Hotel. The income tax expense during the years ended June 30, 2018 and 2017 represents the income tax effect on the Company's pretax income which include its share in net income of the Hotel.

MARKETABLE SECURITIES AND OTHER INVESTMENTS

As of June 30, 2018 and 2017, the Company had investments in marketable equity securities of $2,507,000 and $3,861,000, respectively. The following table shows the composition of the Company's marketable securities portfolio by selected industry groups as:

As of June 30, 2018 Industry Group	Fair Value	% of Total Investment Securities
REITs and real estate companies	$ 757,000	30.3%
Basic materials	462,000	18.4%
Healthcare	424,000	16.9%
Technology	399,000	15.9%
Other	465,000	18.5%
	$ 2,507,000	100.0%

As of June 30, 2017 Industry Group	Fair Value	% of Total Investment Securities
Basic materials	$ 1,816,000	47.0%
Technology	918,000	23.9%
Energy	411,000	10.6%
REITs and real estate companies	274,000	7.1%
Other	442,000	11.4%
	$ 3,861,000	100.0%

As of June 30, 2018, the Company's investment portfolio is diversified with 21 different equity positions. The Company holds three equity securities that comprised more than 10% of the equity value of the portfolio. The largest security position represents 20% of the portfolio and consists of the common stock of Colony Financial Inc. which is included in the REITs and real estate companies' industry group.

LIQUIDITY AND SOURCES OF CAPITAL

The Company's cash flows are primarily generated from its Hotel operations and general partner management fees. The Company also receives cash generated from the investment of its cash and marketable securities and other investments.

To fund the 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 in December of 2013. The mortgage loan is secured by the Partnership's principal asset, the Hotel. The mortgage loan bears an interest rate of 5.275% 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 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. Effective as of May 12, 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.

On July 2, 2014, the Partnership obtained from InterGroup (a related party) an unsecured loan in the principal amount of $4,250,000 at 12% per year fixed interest, with a term of two years, payable interest only each month. InterGroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The proceeds of the loan were applied to the July 2014 payments to Holdings described in Note 2. The loan was extended to December 31, 2018. During the fiscal year ended June 30, 2018, the Partnership made principle paydown of $1,250,000.

In March 2017, Portsmouth obtained from InterGroup an unsecured loan in the principal amount of $2,700,000 at 5% per year fixed interest, with a term of one-year, payable interest only each month. In April 2017, the balance of the loan was repaid along with all accrued interest.

In April 2017, Portsmouth obtained from InterGroup an unsecured short-term loan in the principal amount of $1,000,000 at 5% per year fixed interest, with a term of five months and maturing September 6, 2017. Accrued interest and monthly principal installments in the amount of $200,000 were due and payable commencing on May 1, 2017 and continuing on the first day of each calendar month thereafter, until five months after the date of the loan at which time any unpaid balance of principal and interest on the note was due and payable. The loan was extended to September 15, 2017 and paid off on September 13, 2017.

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 of the Company's material financial obligations which also includes interest.

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Mortgage notes payable	$ 115,018,000	$ 1,412,000	$ 1,461,000	$ 1,555,000	$ 1,640,000	$ 1,730,000	$ 107,220,000
Related party and other notes payable	9,996,000	3,710,000	895,000	916,000	930,000	592,000	2,953,000
Interest	37,866,000	7,233,000	6,991,000	6,876,000	6,769,000	6,666,000	3,331,000
Total	$ 162,880,000	$ 12,355,000	$ 9,347,000	$ 9,347,000	$ 9,339,000	$ 8,988,000	$ 113,504,000

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 Interstate 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

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.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Portsmouth Square, Inc.

Opinion on the Financial Statements

We have audited the accompanying *consolidated* balance sheet of Portsmouth Square, Inc. and its subsidiary (the "Company") as of June 30, 2018, the related consolidated statements of *operations, shareholders' deficit and cash flows* for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2018, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These *consolidated* financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's *consolidated* financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the *consolidated* financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the *consolidated* financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the *consolidated* financial statements. We believe that our audit provide*s* a reasonable basis for our opinion.

/s/ Moss Adams LLP

Irvine, California
August 31, 2018

We have served as the Company's auditor since 2018.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Portsmouth Square, Inc.:

We have audited the accompanying consolidated balance sheet of Portsmouth Square, Inc. and its subsidiary (the Company) as of June 30, 2017, and the related consolidated statements of operations, shareholders' deficit and cash flows for the year then ended (collectively, the financial statements). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Portsmouth Square, Inc., and its subsidiary as of June 30, 2017, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Hein & Associates LLP

Irvine, California
October 13, 2017

PORTSMOUTH SQUARE, INC.
CONSOLIDATED BALANCE SHEETS

As of June 30,		**2018**		**2017**
ASSETS				
Investment in Hotel, net	$	34,278,000	$	35,213,000
Investment in real estate		973,000		973,000
Investment in marketable securities		2,507,000		3,861,000
Other investments, net		267,000		389,000
Cash and cash equivalents		7,623,000		2,049,000
Restricted cash		7,060,000		5,111,000
Accounts receivable - Hotel, net		1,809,000		1,436,000
Other assets, net		731,000		867,000
Deferred tax asset		5,159,000		10,927,000
Total assets	$	60,407,000	$	60,826,000
LIABILITIES AND SHAREHOLDERS' DEFICIT				
Liabilities:				
Accounts payable and other liabilities	$	12,119,000	$	15,085,000
Due to securities broker		490,000		592,000
Obligations for securities sold		512,000		867,000
Related party and other notes payable		8,641,000		10,209,000
Capital leases		1,355,000		-
Mortgage notes payable - Hotel		114,372,000		115,615,000
Total liabilities		137,489,000		142,368,000
Commitments and contingencies (Note 17)				
Shareholders' deficit:				
Common stock, no par value: Authorized shares - 750,000; 734,183 shares issued and outstanding as of June 30, 2018 and 2017		2,092,000		2,092,000
Accumulated deficit		(73,475,000)		(77,120,000)
Total Portsmouth shareholders' deficit		(71,383,000)		(75,028,000)
Noncontrolling interest		(5,699,000)		(6,514,000)
Total shareholders' deficit		(77,082,000)		(81,542,000)
Total liabilities and shareholders' deficit	$	60,407,000	$	60,826,000

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

PORTSMOUTH SQUARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended June 30,	2018	2017
Revenue - Hotel	$ 57,099,000	$ 54,334,000
Costs and operating expenses		
Hotel operating expenses	(40,103,000)	(41,031,000)
Recovery of legal settlement costs	5,775,000	-
Depreciation and amortization expense	(2,509,000)	(2,860,000)
General and administrative expense	(913,000)	(635,000)
Total costs and operating expenses	(37,750,000)	(44,526,000)
Income from operations	19,349,000	9,808,000
Other income (expense)		
Interest expense - mortgage	(7,806,000)	(7,736,000)
Loss on marketable securities	(854,000)	(1,295,000)
Net unrealized loss on other investments	(11,000)	-
Impairment loss on other investments	(72,000)	(60,000)
Dividend and interest income	32,000	44,000
Trading and margin interest expense	(192,000)	(170,000)
Net other expense	(8,903,000)	(9,217,000)
Income before income taxes	10,446,000	591,000
Income tax expense	(5,986,000)	(196,000)
Net income	4,460,000	395,000
Less: Net income attributable to the noncontrolling interest	(815,000)	(150,000)
Net income attributable to Portsmouth	$ 3,645,000	$ 245,000
Basic and diluted income per share attributable to Portsmouth	$ 4.96	$ 0.33
Weighted average number of common shares outstanding	734,183	734,183

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

PORTSMOUTH SQUARE, INC
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

	Common Stock		Accumulated	Total Portsmouth Shareholders'	Noncontrolling	Total Shareholders'
	Shares	Amount	Deficit	Deficit	Interest	Deficit
Balance at July 1, 2017	734,183	$ 2,092,000	$ (77,365,000)	$ (75,273,000)	$ (6,664,000)	$ (81,937,000)
Net income			245,000	245,000	150,000	395,000
Balance at June 30, 2017	734,183	2,092,000	(77,120,000)	(75,028,000)	(6,514,000)	(81,542,000)
Net income			3,645,000	3,645,000	815,000	4,460,000
Balance at June 30, 2018	734,183	$ 2,092,000	$ (73,475,000)	$ (71,383,000)	$ (5,699,000)	$ (77,082,000)

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

PORTSMOUTH SQUARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30,		**2018**		**2017**
Cash flows from operating activities:				
Net income	$	4,460,000	$	395,000
Adjustments to reconcile net income to net cash provided by operating activities:				
Net unrealized loss on marketable securities		1,051,000		1,321,000
Unrealized loss on other investments		11,000		-
Deferred income taxes		5,768,000		161,000
Impairment loss on other investments		72,000		60,000
Depreciation and amortization		2,274,000		2,944,000
Changes in assets and liabilities:				
Investment in marketable securities		303,000		(1,144,000)
Accounts receivable - hotel, net		(373,000)		1,782,000
Other assets, net		136,000		407,000
Accounts payable and other liabilities		(2,966,000)		(2,096,000)
Due to securities broker		(102,000)		301,000
Obligations for securities sold		(355,000)		838,000
Net cash provided by operating activities		10,279,000		4,969,000
Cash flows from investing activities:				
Payments for hotel furniture, equipment and building improvements		(210,000)		(329,000)
Proceeds from (purchase of) other investments		39,000		(90,000)
Net cash used in investing activities		(171,000)		(419,000)
Cash flows from financing activities:				
Payments of mortgage and other notes payable		(2,585,000)		(1,666,000)
Restricted cash for capital improvements and mortgage impounds		(1,949,000)		(4,213,000)
Net cash used in financing activities		(4,534,000)		(5,879,000)
Net increase (decrease) in cash and cash equivalents		5,574,000		(1,329,000)
Cash and cash equivalents at beginning of year		2,049,000		3,378,000
Cash and cash equivalents at end of year	$	7,623,000	$	2,049,000
Supplemental information:				
Income tax paid	$	27,000	$	-
Interest paid	$	7,876,000	$	7,799,000
Non-cash transactions:				
Additions to Hotel equipment through capital lease	$	1,364,000	$	-

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Portsmouth's primary business is conducted through its general and limited partnership interest in Justice Investors Limited Partnership, a California limited partnership ("Justice" or the "Partnership"). Portsmouth has a 93.1% limited partnership interest in Justice and is the sole general partner. The financial statements of Justice are consolidated with those of the Company.

As of June 30, 2018, 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 81.9%-owned subsidiary of The InterGroup Corporation ("InterGroup"), a public company. InterGroup also directly owns approximately 13.4% of the common stock of Portsmouth.

Justice, through its subsidiaries Justice Operating Company, LLC ("Operating"), Justice Mezzanine Company, LLC ("Mezzanine"), and Kearny Street Parking, LLC ("Parking") owns 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. Mezzanine and Parking are both wholly-owned subsidiaries of the Partnership; Operating is a wholly-owned subsidiary of Mezzanine. Mezzanine is the borrower under certain mezzanine indebtedness of Justice, and in December 2013, the Partnership conveyed ownership of the Hotel to Operating. The Hotel is operated by the partnership as a full-service Hilton brand hotel pursuant to a Franchise License Agreement with HLT Franchise Holding LLC (Hilton). Justice had a management agreement with Prism Hospitality L.P. ("Prism") to perform certain management functions for the Hotel. The management agreement with Prism had an original term of ten years, subject to the Partnership's right to terminate at any time with or without cause. Effective January 2014, the management agreement with Prism was amended by the Partnership to change the nature of the services provided by Prism and the compensation payable to Prism, among other things. Prism's management agreement was terminated upon its expiration date of February 3, 2017. Effective December 1, 2013, GMP Management, Inc. ("GMP"), a company owned by a Justice limited partner and a related party, also provided management services for the Partnership pursuant to a management services agreement, with a three-year term, subject to the Partnership's right to terminate earlier for cause. In June 2016, GMP resigned. After a lengthy review process of several national third-party hotel management companies, on February 1, 2017, Justice entered into a Hotel management agreement ("HMA") with Interstate Management Company, LLC ("Interstate") to manage the Hotel with an effective takeover date of February 3, 2017. The term of 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 the aggregate subject to certain conditions. The HMA also provides for Interstate 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 $2,000,000 is included in the restricted cash and related party and other notes payable balances in the consolidated balance sheets as of June 30, 2018.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and Justice. All significant inter-company transactions and balances have been eliminated.

Investment in Hotel, Net

Property and equipment are stated at cost. Building improvements are depreciated on a straight-line basis over their useful lives ranging from 3 to 39 years. Furniture, fixtures, and equipment are depreciated on a straight-line basis over their useful lives ranging from 3 to 7 years.

Repairs and maintenance are charged to expense as incurred. Costs of significant renewals and improvements are capitalized and depreciated over the shorter of its remaining estimated useful life or life of the asset. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts; any resulting gain or loss is included in other income (expenses).

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with generally accepted accounting principles (“GAAP”). If the carrying amount of the asset, including any intangible assets associated with that asset, exceeds its estimated undiscounted net cash flow, before interest, the Partnership will recognize an impairment loss equal to the difference between its carrying amount and its estimated fair value. If impairment is recognized, the reduced carrying amount of the asset will be accounted for as its new cost. For a depreciable asset, the new cost will be depreciated over the asset’s remaining useful life. Generally, fair values are estimated using discounted cash flow, replacement cost or market comparison analyses. The process of evaluating for impairment requires estimates as to future events and conditions, which are subject to varying market and economic factors. Therefore, it is reasonably possible that a change in estimate resulting from judgments as to future events could occur which would affect the recorded amounts of the property. No impairment losses were recorded for the years ended June 30, 2018 and 2017.

Investment in Marketable Securities

Marketable securities are stated at fair value as determined by the most recently traded price of each security at the balance sheet date. Marketable securities are classified as trading securities with all unrealized gains and losses on the Company's investment portfolio recorded through the consolidated statements of operations.

Other Investments, Net

Other investments include non-marketable securities (carried at cost, net of any impairments loss) and non –marketable warrants (carried at fair value). The Company has no significant influence or control over the entities that issue these 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. For the years ended June 30, 2018 and 2017, the Company recorded impairment losses related to other investments of $72,000 and $60,000, respectively. As of June 30, 2018 and 2017, the allowance for impairment losses was $2,220,000 and $2,159,000, respectively.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an original maturity of three months or less when purchased and are carried at cost, which approximates fair value.

Restricted Cash

Restricted cash is comprised of amounts held by lenders for payment of real estate taxes, insurance, replacement and capital addition reserves for the Hotel. It also includes key money received from Interstate that is restricted for capital improvements.

Accounts Receivable - Hotel, Net

Accounts receivable from Hotel customers are carried at cost less an allowance for doubtful accounts that is based on management’s assessment of the collectability of accounts receivable. The Partnership extends unsecured credit to its customers but mitigates the associated credit risk by performing ongoing credit evaluations of its customers.

Other Assets, Net

Other assets include prepaid insurance, accounts receivable, franchise fees, and other miscellaneous assets. Franchise fees are stated at cost and amortized over the life of the agreement (15 years).

Income Taxes

Deferred income taxes are calculated under the liability method. Deferred income tax assets and liabilities are based on differences between the financial statement and tax basis of assets and liabilities at the current enacted tax rates. Changes in deferred income tax assets and liabilities are included as a component of income tax expense. Changes in deferred income tax assets and liabilities attributable to changes in enacted tax rates are charged or credited to income tax expense in the period of enactment. Valuation allowances are established for certain deferred tax assets where realization is not likely.

Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold based on the technical merits of the positions.

Due to Securities Broker

Various securities brokers have advanced funds to the Company for the purchase of marketable securities under standard margin agreements. These advanced funds are recorded as a liability.

Obligations for Securities Sold

Obligation for securities sold represents the fair market value of shares sold with the promise to deliver that security at some future date and the fair market value of shares underlying the written call options with the obligation to deliver that security when and if the option is exercised. The obligation may be satisfied with current holdings of the same security or by subsequent purchases of that security. Unrealized gains and losses from changes in the obligation are included in the consolidated statement of operations.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities include trade payables, advance customer deposits, accrued wages, accrued real estate taxes, and other liabilities.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Accounting standards for fair value measurement establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1–inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2–inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3–inputs to the valuation methodology are unobservable and significant to the fair value.

Revenue Recognition

Room revenue is recognized on the date upon which a guest occupies a room and/or utilizes the Hotel's services. Food and beverage revenues are recognized upon delivery. Garage revenue is recognized when a guest uses the garage space. The Company records a liability for payments collected in advance of revenue recognition. This liability is included in Accounts payable and other liabilities.

Advertising Costs

Advertising costs are expensed as incurred and are included in Hotel operating expenses in the consolidated statements of operations. Advertising costs were $302,000 and $294,000 for the years ended June 30, 2018 and 2017, respectively.

Basic and Diluted Income (Loss) per Share

Basic income per share is calculated based upon the weighted average number of common shares outstanding during each fiscal year. As of June 30, 2018 and 2017, the Company did not have any potentially dilutive securities outstanding.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to the recording of allowance for doubtful accounts and allowance for impairment losses which are based on management's assessment of the collectability of accounts receivable and the fair market value of nonmarketable securities, respectively, as of the end of the fiscal year. Actual results may differ from those estimates.

Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are presented in the consolidated balance sheets as a direct deduction from the carrying amount of the debt liability and are amortized over the life of the debt. Loan amortization costs are included in interest expense in the consolidated statement of operations.

Recent Accounting Pronouncements and U.S. Tax Reform

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (ASU 2016-08) which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The new standard permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). We adopted the new standard effective July 1, 2018 using the modified retrospective method. The standard has no significant impact on the Company's consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which supersedes existing guidance on accounting for leases in Leases (Topic 840) and generally requires all leases, including operating leases, to be recognized in the statement of financial position as right-of-use assets and lease liabilities by lessees. The provisions of ASU 2016-02 are to be applied using a modified retrospective approach and are effective for reporting periods beginning after December 15, 2018; early adoption is permitted. We intend to adopt the standard on July 1, 2019. The Company is currently reviewing the effect of ASU No. 2016-02.

On June 16, 2016, the FASB issued ASU 2016-13, "*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." This ASU modifies the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in the timelier recognition of losses. ASU No. 2016-13 will be effective for us as of January 1, 2020. The Company is currently reviewing the effect of ASU No. 2016-13.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act significantly revises the future ongoing corporate income tax by, among other things, lowering corporate income tax rates. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a statutory federal rate of approximately 28% for our fiscal year ending June 30, 2018, and 21% for subsequent fiscal years. The decrease in corporate tax rate reduced the Company's deferred tax asset to the lower federal base rate of 21%. As a result, a provisional net charge of $2,723,000 was included in the income tax expense for the year ended June 30, 2018.

The changes included in the Tax Act are broad and complex. The final transition impacts of the Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the company has utilized to calculate the transition impact. The Securities Exchange Commission has issued rules that would allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts.

NOTE 2 - JUSTICE INVESTORS

Justice Investors Limited Partnership, a California limited partnership ("Justice" or the "Partnership"), was formed in 1967 to acquire real property in San Francisco, California, for the development and lease of the Hotel and related facilities. The Partnership has one general partner, Portsmouth Square, Inc., a California corporation ("Portsmouth") and approximately 24 voting limited partners, including Portsmouth.

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

NOTE 3 – INVESTMENT IN HOTEL, NET

Investment in Hotel consisted of the following as of:

June 30, 2018	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	$ 1,124,000	$ -	$ 1,124,000
Furniture and equipment	29,350,000	(25,877,000)	3,473,000
Building and improvements	55,945,000	(26,264,000)	29,681,000
	$ 86,419,000	$ (52,141,000)	$ 34,278,000

June 30, 2017	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	$ 1,124,000	$ -	$ 1,124,000
Furniture and equipment	27,681,000	(24,570,000)	3,111,000
Building and improvements	55,918,000	(24,940,000)	30,978,000
	$ 84,723,000	$ (49,510,000)	$ 35,213,000

NOTE 4 – INVESTMENT IN REAL ESTATE

In August 2007, the Company agreed to acquire 50% interest in InterGroup Uluniu, Inc., a Hawaiian corporation and a 100% owned subsidiary of InterGroup, for $973,000, which represents an amount equal to the costs paid by InterGroup for the acquisition and carrying costs of approximately two acres of unimproved land held for development located in Maui, Hawaii. As a related party transaction, the fairness of the financial terms of the transaction were reviewed and approved by the independent director of the Company.

NOTE 5 - INVESTMENT IN MARKETABLE SECURITIES

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

As of June 30, 2018 and 2017, all of the Company's marketable securities are classified as trading securities. The change in the unrealized gains and losses on these investments are included in earnings. Trading securities are summarized as follows:

Investment	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Loss	Fair Value
As of June 30, 2018					
Corporate Equities	$ 7,729,000	$ 385,000	$ (5,607,000)	$ (5,222,000)	$ 2,507,000
As of June 30, 2017					
Corporate Equities	$ 8,012,000	$ 381,000	$ (4,532,000)	$ (4,151,000)	$ 3,861,000

As of June 30, 2018 and 2017, approximately 18% and 42% of the investment marketable securities balance above is comprised of the common stock of Comstock Mining Inc.

As of June 30, 2018 and 2017, the Company had $5,584,000 and $4,494,000, respectively, of unrealized losses related to securities held for over one year.

Net loss on marketable securities on the statement of operations is comprised of realized and unrealized losses. Below is the composition of the two components for the years ended June 30, 2018 and 2017, respectively.

For the year ended June 30,	2018	2017
Realized gain on marketable securities	$ 197,000	$ 26,000
Unrealized loss on marketable securities related to Comstock	(1,138,000)	(1,511,000)
Unrealized gain on marketable securities	87,000	190,000
Net loss on marketable securities	$ (854,000)	$ (1,295,000)

NOTE 6 – OTHER INVESTMENTS, NET

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

Other investments, net consist of the following:

Type	June 30, 2018	June 30, 2017
Private equity hedge fund, at cost	$ 202,000	$ 284,000
Other investments	65,000	105,000
	$ 267,000	$ 389,000

NOTE 7 - 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 June 30, 2018	Level 1
Assets:	
Investment in marketable securities:	
REITs and real estate companies	$ 757,000
Basic materials	462,000
Healthcare	424,000
Other	864,000
	$ 2,507,000

As of June 30, 2017	Level 1
Assets:	
Investment in marketable securities:	
Basic materials	$ 1,816,000
Energy	411,000
Technology	918,000
Other	716,000
	$ 3,861,000

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

Financial assets that are measured at fair value on a non-recurring basis and are not included in the tables above include "Other investments in 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 3	June 30, 2018	Net loss for the year ended June 30, 2018
Other non-marketable investments	$ 267,000	$ 267,000	$ (83,000)

Assets	Level 3	June 30, 2017	Net loss for the year ended June 30, 2017
Other non-marketable investments	$ 389,000	$ 389,000	$ (60,000)

For fiscal year ended June 30, 2018, we received distribution from other non-marketable investments of $36,000.

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. These investments are reviewed on a periodic basis for other-than-temporary impairment. When determining the fair value of these investments on a non-recurring basis, the Company uses valuation techniques such as the market approach and the unobservable inputs include factors such as conversion ratios and the stock price of the underlying convertible instruments. 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 8 – OTHER ASSETS, NET

Other assets consist of the following as of June 30:

	2018	2017
Inventory - Hotel	$ 59,000	$ 68,000
Prepaid expenses	409,000	499,000
Miscellaneous assets, net	263,000	300,000
Total other assets	$ 731,000	$ 867,000

NOTE 9 – RELATED PARTY AND OTHER FINANCING TRANSACTIONS

On July 2, 2014, the Partnership obtained from InterGroup (a related party) an unsecured loan in the principal amount of $4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. InterGroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The loan was extended to December 31, 2018. The balance of this loan was $3,000,000 and $4,250,000 as of June 30, 2018 and 2017, respectively, and are included in the related party and other note payable in the consolidated balance sheets.

Also included in the balance of the related party note payable at June 30, 2018 and 2017 is the obligation to Hilton (Franchisor) in the form of a self-exhausting, interest free development incentive note which will be reduced approximately $316,000 annually through 2030 by Hilton if the Partnership is still a Franchisee with Hilton. As of June 30, 2018 and 2017, the balance of the note was $3,642,000 and $3,958,000, respectively.

On February 1, 2017, Justice entered into a Hotel management agreement ("HMA") with Interstate Management Company, LLC ("Interstate") to manage the Hotel with an effective takeover date of February 3, 2017. The term of 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 the aggregate subject to certain conditions. The HMA also provides for Interstate 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 (2^{nd}) anniversary of the takeover date. The $2,000,000 is included in restricted cash and related party note payable balances in the consolidated balance sheets as of June 30, 2018 and 2017.

As of June 30, 2018, the Company had capital lease obligations outstanding of $1,355,000. These capital leases expire in various years through 2023 at rates ranging from 5.77% to 6.53% per annum. Minimum future lease payments for assets under capital leases as of June 30, 2018 are as follows:

For the year ending June 30,	
2019	$ 358,000
2020	384,000
2021	384,000
2022	376,000
2023	26,000
Total minimum lease payments	1,528,000
Less interest on capital lease	(173,000)
Present value of future minimum lease payments	1,355,000

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

For the year ending June 30,	
2019	$ 3,710,000
2020	895,000
2021	916,000
2022	930,000
2023	592,000
Thereafter	2,953,000
	$ 9,996,000

NOTE 10 – MORTGAGE NOTES PAYABLE

On December 18, 2013: (i) Justice Operating Company, LLC, a Delaware limited liability company ("Operating"), entered into a loan agreement ("Mortgage Loan Agreement") with Bank of America ("Mortgage Lender"); and (ii) Justice Mezzanine Company, a Delaware limited liability company ("Mezzanine"), entered into a mezzanine loan agreement ("Mezzanine Loan Agreement" and, together with the Mortgage Loan Agreement, the "Loan Agreements") with ISBI San Francisco Mezz Lender LLC ("Mezzanine Lender" and, together with Mortgage Lender, the "Lenders"). The Partnership is the sole member of Mezzanine, and Mezzanine is the sole member of Operating.

The Loan Agreements provide for a $97,000,000 Mortgage Loan and a $20,000,000 Mezzanine Loan. The proceeds of the Loan Agreements were used to fund the redemption of limited partnership interests and the pay-off of the prior mortgage.

The Mortgage Loan is secured by the Partnership's principal asset, the Hilton San Francisco-Financial District (the "Property"). The Mortgage Loan bears an interest rate of 5.275% per annum and matures in January 2024. The term of the loan is 10 years with interest only due in the first three years and principle and interest on the remaining seven years of the loan based on a thirty-year amortization schedule. The Mortgage Loan also requires payments for impounds related to property tax, insurance and capital improvement reserves. As additional security for the Mortgage Loan, there is a limited guaranty ("Mortgage 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 bears interest at 9.75% per annum and matures on January 1, 2024. Interest only, payments are due monthly. As additional security for the Mezzanine Loan, there is a limited guaranty executed by the Company in favor of Mezzanine Lender (the "Mezzanine Guaranty" and, together with the Mortgage Guaranty, the "Guaranties").

The Guaranties are limited to what are commonly referred to as "bad boy" acts, including: (i) fraud or intentional misrepresentations; (ii) gross negligence or willful misconduct; (iii) misapplication or misappropriation of rents, security deposits, insurance or condemnation proceeds; and (iv) failure to pay taxes or insurance. The Guaranties are full recourse guaranties under identified circumstances, including failure to maintain "single purpose" status which is a factor in a consolidation of Operating or Mezzanine in a bankruptcy of another person, transfer or encumbrance of the Property in violation of the applicable loan documents, Operating or Mezzanine incurring debts that are not permitted, and the Property becoming subject to a bankruptcy proceeding. Pursuant to the Guaranties, the Partnership is required to maintain a certain minimum net worth and liquidity. Effective as of May 12, 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 a certain net worth and liquidity. As of June 30, 2018, management believes that InterGroup is in compliance with both requirements.

Each of the Loan Agreements contains customary representations and warranties, events of default, reporting requirements, affirmative covenants and negative covenants, which impose restrictions on, among other things, organizational changes of the respective borrower, operations of the Property, agreements with affiliates and third parties. Each of the Loan Agreements also provides for mandatory prepayments under certain circumstances (including casualty or condemnation events) and voluntary prepayments, subject to satisfaction of prescribed conditions set forth in the Loan Agreements.

As of June 30, 2018 and 2017, the Company had the following mortgages:

June 30, 2018	June 30, 2017	Interest Rate	Origination Date	Maturity Date
$ 95,018,000	$ 96,343,000	Fixed 5.28%	December 18, 2013	January 1, 2024
20,000,000	20,000,000	Fixed 9.75%	December 18, 2013	January 1, 2024
115,018,000	116,343,000	Mortgage notes payable - hotel		
(646,000)	(728,000)	Net debt issuance costs		
$ 114,372,000	$ 115,615,000	Total mortgage notes payable - hotel		

Future minimum principle payments for mortgage notes payable are as follows:

For the year ending June 30,	
2019	$ 1,412,000
2020	1,461,000
2021	1,555,000
2022	1,640,000
2023	1,730,000
Thereafter	107,220,000
	$115,018,000

NOTE 11 – GARAGE OPERATIONS

The parking garage that is part of the Hotel property was managed by Ace Parking pursuant to a contract with the Partnership. The contract was terminated with an effective termination date of October 4, 2016. The Company began managing the parking garage in-house after the termination of Ace Parking. Effective February 3, 2017, Interstate took over the management of the parking garage along with the Hotel.

NOTE 12 – MANAGEMENT AGREEMENTS

Justice had a management agreement with Prism Hospitality L.P. (“Prism”) to perform certain management functions for the Hotel. The management agreement with Prism had an original term of ten years, subject to the Partnership’s right to terminate at any time with or without cause. Effective January 2014, the management agreement with Prism was amended by the Partnership to change the nature of the services provided by Prism and the compensation payable to Prism, among other things. Prism’s management agreement was terminated upon its expiration date of February 3, 2017. Effective December 1, 2013, GMP Management, Inc. (“GMP”), a company owned by a Justice limited partner and a related party, also provided management services for the Partnership pursuant to a management services agreement, with a three-year term, subject to the Partnership’s right to terminate earlier for cause. In June 2016, GMP resigned. After a lengthy review process of several national third-party hotel management companies, on February 1, 2017, Justice entered into a Hotel management agreement (“HMA”) with Interstate Management Company, LLC (“Interstate”) to manage the Hotel with an effective takeover date of February 3, 2017. The term of 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 the aggregate subject to certain conditions. The HMA also provides for Interstate 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 (2nd) anniversary of the takeover date. The $2,000,000 is included in restricted cash and related party note payable balances in the balance sheets as of June 30, 2018 and 2017. During the years ended June 30, 2018 and 2017, Interstate management fees were $957,000 and $372,000, respectively, and are included in Hotel operating expenses in the consolidated statements of operations.

NOTE 13 – CONCENTRATION OF CREDIT RISK

As of June 30, 2018 and 2017, all accounts receivables are related to Hotel customers. The Hotel had two customers that accounted for 32%, or $572,000 of accounts receivable at June 30, 2018, and one customer that accounted for 27%, or $390,000 of accounts receivable at June 30, 2017.

The Partnership maintains its cash and cash equivalents and restricted cash with various financial institutions that are monitored regularly for credit quality. At times, such cash and cash equivalents holdings may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) or other federally insured limits.

NOTE 14 - INCOME TAXES

The provision for income taxes expense consists of the following:

For the years ended June 30,	2018	2017
Federal		
Current tax expense	$ (167,000)	$ (34,000)
Deferred tax expense	(4,976,000)	(81,000)
	(5,143,000)	(115,000)
State		
Current tax expense	(51,000)	(1,000)
Deferred tax expense	(792,000)	(80,000)
	(843,000)	(81,000)
Total income tax expense	$ (5,986,000)	$ (196,000)

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act significantly revises the future ongoing corporate income tax by, among other things, lowering corporate income tax rates. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a statutory federal rate of approximately 28% for our fiscal year ending June 30, 2018, and 21% for subsequent fiscal years. The decrease in corporate tax rate reduced the Company's deferred tax asset to the lower federal base rate of 21%. As a result, a provisional net charge of $2,723,000 was included in the income tax expense for the year ended June 30, 2018.

A reconciliation of the statutory federal income tax rate to the effective tax rate is as follows:

For the years ended June 30,	2018	2017
Statutory federal tax rate	27.6%	34.0%
State income taxes, net of federal tax benefit	6.4%	2.6%
Change in federal tax rate	28.3%	-
Other	-	7.8%
	62.3%	44.4%

The components of the Company's deferred tax assets and (liabilities) as of June 30, 2018 and 2017, are as follows:

	2018	2017
Deferred tax assets		
Net operating loss carryforward	$ 5,272,000	$ 11,207,000
Investment reserve	741,000	1,033,000
Other	1,776,000	1,563,000
	7,789,000	13,803,000
Deferred tax liabilities		
Basis difference in Justice	(1,839,000)	(1,625,000)
State taxes	(309,000)	(769,000)
Valuation allowance	(482,000)	(482,000)
	(2,630,000)	(2,876,000)
Net deferred tax assets	$ 5,159,000	$ 10,927,000

As of June 30, 2018, the Company had net operating loss carryforwards of approximately $18,740,000 and $15,120,000 for federal and state purposes, respectively. These carryforwards expire in varying amount through 2037.

Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold based on the technical merits of the positions. As of June 30, 2018, it has been determined there are no uncertain tax positions likely to impact the Company.

The Partnership files tax returns as prescribed by the tax laws of the jurisdictions in which it operates and is subject to examination by federal, state and local jurisdictions, were applicable.

As of June 30, 2018, tax years beginning in fiscal 2012 remain open to examination by the major tax jurisdictions, and are subject to the statute of limitations.

NOTE 15 - 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 years ended June 30, 2018 and 2017, respectively. Segment income from Hotel operations consists of the operation of the Hotel and operation of the garage. Loss from investments consists of net investment gain (loss), dividend and interest income and investment related expenses.

As of and for the year ended June 30, 2018	**Hotel Operations**	**Investment Transactions**	**Other**	**Total**
Revenues	$ 57,099,000	$ -	$ -	$ 57,099,000
Segment operating expenses	(40,103,000)	-	(913,000)	(41,016,000)
Segment income (loss)	16,996,000	-	(913,000)	16,083,000
Recovery of legal settlement costs	5,775,000	-	-	5,775,000
Interest expense - mortgage	(7,806,000)	-	-	(7,806,000)
Depreciation and amortization expense	(2,509,000)	-	-	(2,509,000)
Loss from investments	-	(1,097,000)	-	(1,097,000)
Income tax expense	-	-	(5,986,000)	(5,986,000)
Net income (loss)	$ 12,456,000	$ (1,097,000)	$ (6,899,000)	$ 4,460,000
Total assets	$ 51,337,000	$ 2,774,000	$ 6,296,000	$ 60,407,000

As of and for the year ended June 30, 2017	**Hotel Operations**	**Investment Transactions**	**Other**	**Total**
Revenues	$ 54,334,000	$ -	$ -	$ 54,334,000
Segment operating expenses	(41,031,000)	-	(635,000)	(41,666,000)
Segment income (loss)	13,303,000	-	(635,000)	12,668,000
Interest expense - mortgage	(7,736,000)	-	-	(7,736,000)
Depreciation and amortization expense	(2,860,000)	-	-	(2,860,000)
Loss from investments	-	(1,481,000)	-	(1,481,000)
Income tax expense	-	-	(196,000)	(196,000)
Net income (loss)	$ 2,707,000	$ (1,481,000)	$ (831,000)	$ 395,000
Total assets	$ 44,389,000	$ 4,250,000	$ 12,187,000	$ 60,826,000

NOTE 16 - RELATED PARTY TRANSACTIONS

As discussed in Note 9 – Other Notes Payable, on July 2, 2014, the Partnership obtained from the InterGroup Corporation an unsecured loan in the principal amount of $4,250,000. The balance of this loan was $3,000,000 and $4,250,000 as of June 30, 2018 and 2017, respectively, and are included in the related party and other note payable in the consolidated balance sheets. The loan matures on December 31, 2018.

In connection with the redemption of limited partnership interests of Justice described in Note 2 above, 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. This agreement was superseded by a letter dated December 11, 2013 from Justice, in which Justice assumed the payment obligations of Justice Operating Company, LLC. As of June 30, 2018, $200,000 of these fees remain payable.

Certain shared costs and expenses, primarily administrative expenses, rent and insurance are allocated among the Company, Santa Fe and InterGroup based on management's estimate of the pro rata utilization of resources. For the years ended June 30, 2018 and 2017, these expenses were approximately $72,000 for each respective year.

Four of the Company's Directors serve as directors of InterGroup and three of the Company's Directors serve on the Board of Santa Fe.

As Chairman of the Securities Investment Committee, the Company's President and Chief Executive Officer (CEO), John V. Winfield, directs the investment activity of the Company in public and private markets pursuant to authority granted by the Board of Directors. Mr. Winfield also serves as Chief Executive Officer and Chairman of Santa Fe and InterGroup and oversees the investment activity of those companies. Depending on certain market conditions and various risk factors, the Chief Executive Officer, Santa Fe and InterGroup may, at times, invest in the same companies in which the Company invests. Such investments align the interests of the Company with the interests of these related parties because it places the personal resources of the Chief Executive Officer and the resources of Santa Fe and InterGroup, at risk in substantially the same manner as the Company in connection with investment decisions made on behalf of the Company.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Franchise Agreements

The Partnership entered into a Franchise License Agreement (the "License Agreement") with the HLT Existing Franchise Holding LLC ("Hilton") on November 24, 2004. The term of the License agreement was for an initial period of 15 years commencing on the date the Hotel began operating as a Hilton hotel, with an option to extend the License Agreement for another five years, subject to certain conditions. On June 26, 2015, Operating and Hilton entered into an amended franchise agreement which amongst other things extended the License Agreement through 2030, and also provided the Partnership certain key money cash incentives to be earned through 2030.

Since the opening of the Hotel in January 2006, the Partnership has incurred monthly royalties, program fees and information technology recapture charges equal to a percent of the Hotel's gross room revenue. Fees for such services during fiscal year 2018 and 2017 totaled approximately $3.8 million and $3.3 million, respectively.

Hotel Employees

Effective February 3, 2017, the Partnership had no employees. On February 3, 2017, Interstate assumed all labor union agreements and retained employees of their choice to continue providing services to the Hotel. As of June 30, 2018, approximately 85% of those employees were represented by one of four labor unions, and their terms of employment were determined under a collective bargaining agreement ("CBA") to which the Partnership was a party. During the year ended June 30, 2018, the Partnership renewed the CBA for Local 856 (International Brotherhood of Teamsters). The present CBAs for Local 2 (Hotel and Restaurant Employees), Local 39 (Stationary Engineers), and Local 665 (Parking Employees) will expire on August 13, 2018, July 31, 2018, and November 30, 2018, respectively.

Negotiation of collective bargaining agreements, which includes not just terms and conditions of employment, but scope and coverage of employees, is a regular and expected course of business operations for the Partnership. The Partnership expects and anticipates that the terms of conditions of CBAs will have an impact on wage and benefit costs, operating expenses, and certain hotel operations during the life of each CBA, and incorporates these principles into its operating and budgetary practices.

Legal Matters

In 2014, Evon Corporation ("Evon") filed a complaint in San Francisco Superior Court against the Partnership, Portsmouth, and a limited partner and related party asserting contract and tort claims based on Justice's withholding of $4.7 million to pay the transfer tax described in Item 3 - Legal Proceedings. Evon's complaint asserted various tort and contract claims against Justice and Portsmouth; and also a tort against a Justice limited partner and related party. In July 2014, Justice paid to Holdings $4.7 million, the amount Evon claimed to be incorrectly withheld. In June 2014, the Partnership sued Evon and related defendants, seeking a judicial declaration as to certain issues arising out of the partnership redemption documents. Evon filed a cross-complaint in December 2014, alleging torts against the Partnership in connection with the redemption transaction. On May 5, 2016, Justice Investors and Portsmouth (parent company) settled these actions via a global settlement agreement. The Partnership agreed to pay Evon $5,575,000. As of January 10, 2017, the Company has satisfied all conditions of the settlement agreement.

In March 2017, Justice entered into a settlement agreement with RSUI Indemnity Company ("RSUI"), the insurer for Portsmouth's Directors and Officers Liability Policies. Under this settlement agreement, Justice received $900,000 from RSUI to resolve allegations that RSUI had committed breach of contract and bad faith in handling a claim. The $900,000 was recorded as a reduction of legal expense for the fiscal year ended June 30, 2017.

In April 2014, the Partnership commenced an arbitration action against Glaser Weil Fink Howard Avchen & Shapiro, LLP (formerly known as Glaser Weil Fink Jacobs Howard Avchen & Shapiro, LLP), Brett J. Cohen, Gary N. Jacobs, Janet S. McCloud, Paul B. Salvaty, and Joseph K. Fletcher III (collectively, the "Respondents") in connection with the redemption transaction. The arbitration alleged legal malpractice against the Respondents and also sought declaratory relief regarding provisions of the option agreement in the redemption transaction and regarding the engagement letter with Respondents. Prior to arbitration proceedings, the parties agreed in principle to settle the matter, and entered into a settlement agreement and mutual general release in April 2018. The Respondents agreed to pay $8,300,000, which was received in May of 2018. $5,575,000 was recorded as a recovery of legal settlement cost and $2,725,000 was recorded as a reduction of legal expense for the fiscal year ended June 30, 2018.

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends 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.

NOTE 18 – SUBSEQUENT EVENTS

The Company has evaluated all events occurring subsequent to June 30, 2018 and concluded that no additional subsequent events have occurred outside the normal course of business operations that require disclosure.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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) or 15d-15(e) under the Exchange Act) as of the end of the fiscal period covered by this Annual Report on Form 10-K. Based upon such evaluation, management has concluded that the 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.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. The internal control over financial reporting is a process, under the supervision of our Chief Executive Officer and Principal Financial Officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The internal control over financial reporting include those policies and procedures that:

• pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;

• provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and

• provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Principal Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on its evaluation, management concluded that there was material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness is related to the Company’s preparation of its tax provision.

During the fourth quarter of fiscal 2017, we identified a material weakness in internal controls over financial reporting related to our accounting for deferred income taxes and income tax expense. Specifically, we did not design and maintain effective controls to identify items within the deferred tax balances that could be materially incorrect. We did not provide appropriate oversight of our third-party tax CPA firm preparer. This material weakness did not have, but could have resulted in various material adjustments to deferred tax accounts for fiscal 2017. We are undergoing ongoing evaluation and improvements in our internal control over financial reporting. Regarding our identified material weakness, we have performed the following remediation efforts:

In order to mitigate the material weakness to the fullest extent possible, management hired a new tax CPA specialist to review and do a detailed analysis which was completed for the year ended June 30, 2017. The Company has also assigned to its audit committee oversight responsibilities with regard to this analysis. The preparation of the Company's deferred tax assets and liabilities will be reviewed annually by tax experts as well as the Principal Financial Officer and the Chief Executive Officer.

As of June 30, 2018, these controls were not operating effectively as noted by a computational error in estimating the transition impact of the Tax Act on our deferred tax balances. As a result, management concludes that the material weakness has not been remediated and will continue to enhance its controls over the preparation of its tax provision.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm, pursuant to provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that permit us to provide only management's report in this Annual Report on Form 10-K.

This report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As stated in our report on internal control over financial reporting, the material weakness related to tax provision preparation has not been remediated in fiscal year 2018. While significant progress has been made as of June 30, 2018, these controls were not operating effectively. As a result, management concludes that the material weakness has not been remediated and will continue to enhance its controls over the preparation of its tax provision.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth certain information with respect to the Directors and Executive Officers of the Company as of June 30, 2018:

Name	Position with the Company	Age	Term to Expire
John V. Winfield	Chairman of the Board; President and Chief Executive Officer (1)	71	Fiscal 2018 Annual Meeting
Jerold R. Babin	Director	84	Fiscal 2018 Annual Meeting
John C. Love	Director (1)(2)	78	Fiscal 2018 Annual Meeting
William J. Nance	Director (1)(2)	74	Fiscal 2018 Annual Meeting
Executive Officer:			
Danfeng Xu	Treasurer, Controller (Principal Financial Officer), and Secretary	31	N/A

(1) Member of Securities Investment Committee
(2) Member of Audit Committee

Business Experience:

The principal occupation and business experience during the last five years for each of the Directors and Executive Officers of the Company are as follows:

John V. Winfield — Mr. Winfield was first elected to the Board in May of 1996 and currently serves as the Company's Chairman of the Board, President and Chief Executive Officer. Mr. Winfield is also Chairman of the Board, President and Chief Executive Officer of Portsmouth's parent company Santa Fe, having held those positions since April 1996. Mr. Winfield is also Chairman of the Board, President and Chief Executive Officer of Santa Fe’s parent company, InterGroup, and has held those positions since 1987. Mr. Winfield’s extensive experience as an entrepreneur and investor, as well as his managerial and leadership experience from serving as a chief executive officer and director of public companies, led to the Board’s conclusion that he should serve as a director of the Company.

Jerold R. Babin — Mr. Babin was first appointed as a Director of the Company on February 1996. Mr. Babin is also a director of Portsmouth’s parent company, The InterGroup Corporation (“InterGroup”), a public company. Mr. Babin is a retail securities broker. From 1974 to 1989, he worked at Drexel Burnham and from 1989 to June 30, 2010, he worked for Prudential Securities (later Wachovia Securities and now Wells Fargo Advisors) where he held the title of First Vice-President. Mr. Babin retired from his position at Wells Fargo advisors in June 2010. For the past 20 years, until present, Mr. Babin has also served as an arbitrator for FINRA (formerly NASD). Mr. Babin’s extensive experience in the securities and financial markets as well has his experience in the securities and public company regulatory industry led to the Board’s conclusion that he should serve as a director of the Company.

John C. Love — Mr. Love was appointed a Director of the Company on March 5, 1998. Mr. Love is an international hospitality and tourism consultant. He is a retired partner in the national CPA and consulting firm of Pannell Kerr Forster and, for the last 30 years, a lecturer in hospitality industry management control systems and competition & strategy at Golden Gate University and San Francisco State University. He is Chairman Emeritus of the Board of Trustees of Golden Gate University and the Executive Secretary of the Hotel and Restaurant Foundation. Mr. Love is also a Director of Santa Fe, having been appointed in March 2, 1999 and a Director of InterGroup, having been appointed in January 1998. Mr. Love's extensive experience as a CPA and in the hospitality industry, including teaching at the university level for the last 30 years in management control systems, and his knowledge and understanding of finance and financial reporting, led to the Board's conclusion that he should serve as a director of the Company.

William J. Nance — Mr. Nance was first elected to the Board in May 1996. Mr. Nance is also a Director of Santa Fe having held that position since May 1996. He is the President and CEO of Century Plaza Printers, Inc., a company he founded in 1979. He has also served as a consultant in the acquisition and disposition of multi-family and commercial real estate. Mr. Nance is a Certified Public Accountant and, from 1970 to 1976, was employed by Kenneth Leventhal & Company where he was a Senior Accountant specializing in the area of REITS and restructuring of real estate companies, mergers and acquisitions, and all phases of real estate development and financing. Mr. Nance is a Director of InterGroup and has held such position since 1984. Mr. Nance also serves as a director of Comstock Mining, Inc. Mr. Nance's extensive experience as a CPA and in numerous phases of the real estate industry, his business and management experience gained in running his own businesses, his service as a director and audit committee member for other public companies and his knowledge and understanding of finance and financial reporting, led to the Board's conclusion that he should serve as a director of the Company.

Danfeng Xu – Ms. Xu was appointed as Treasurer and Controller of the Company on October 16, 2017. Ms. Xu also serves as Treasurer and Controller of InterGroup and Santa Fe, having been appointed to those positions on October 16, 2017. On June 1, 2018, she was appointed Secretary of the Company, InterGroup and Santa Fe. Prior to joining the Company, she had served as Controller and worked in other positions at the Hotel from July 2010 to February 2017. She obtained her Bachelor of Science degree in Business Administration, Accounting and Finance from The Ohio State University and her Master of Professional Accounting, with a concentration in Audit and Assurance from University of Washington.

Family Relationships: There are no family relationships among directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

Involvement in Certain Legal Proceedings: No director or executive officer, or person nominated or chosen to become a director or executive officer, was involved in any legal proceeding requiring disclosure.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and each beneficial owner of more than ten percent of the Common Stock of the Company, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten-percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of Forms 3 and 4 and amendments thereto furnished to the Company during its most recent fiscal year, or written representations from certain reporting persons that no Forms 5 were required for those persons, the Company believes that during fiscal 2018 all filing requirements applicable to its officers, directors, and greater than ten-percent beneficial owners were complied with.

Code of Ethics.

The Company has adopted a Code of Ethics that applies to its executive officers, including its principal executive officer, principal financial officer, or persons performing similar functions as well as its Board of Directors. A copy of the Code of Ethics is filed as Exhibit 14 to this Report. A copy is also posted on the Portsmouth page of its parent company's website at www.intgla.com. The Company will provide to any person without charge, upon request, a copy of its Code of Ethics by sending such request to: Portsmouth Square, Inc., Attn: Treasurer, 11620 Wilshire Boulevard, Suite 350, Los Angeles, California 90025. The Company will promptly disclose any amendments or waivers to its Code of Ethics on Form 8-K.

BOARD AND COMMITTEE INFORMATION

Portsmouth is an unlisted company and a Smaller Reporting Company under the rules and regulations of the Securities and Exchange Commission ("SEC"). With the exception of the Company's President and CEO, John V. Winfield, all of Portsmouth's Board of Directors consists of "independent" directors as independence is defined by the applicable rules of the SEC and NASDAQ.

Procedures for Recommendations of Nominees to Board of Directors

There have been no changes to the procedures previously disclosed by which security holders may recommend nominees to the Company's Board of Directors.

Audit Committee and Audit Committee Financial Expert

Portsmouth is an unlisted company and a Smaller Reporting Company under SEC rules and regulations. The Company's Audit Committee is currently comprised of Directors William J. Nance (Chairperson) and John C. Love, each of whom are independent directors as independence is defined by the applicable rules of the SEC and NASDAQ, and as may be modified or supplemented. William J. Nance and John C. Love also meets the audit committee financial expert requirement based on their qualifications and business experience discussed above in this Item 10.

Item 11. Executive Compensation.

The following table provides certain summary information concerning compensation awarded to, earned by, or paid to the Company's principal executive officer and other named executive officers of the Company whose total compensation exceeded $100,000 for all services rendered to the Company for each of the Company's last two completed fiscal years ended June 30, 2018 and 2017. No stock awards, long-term compensation, options or stock appreciation rights were granted to any of the named executive officers during the last two fiscal years.

SUMMARY COMPENSATION TABLE

	Annual Compensation				
Name and Principal Position	**Fiscal Year**	**Salary**	**Bonus**	**All Other Compensation**	**Total**
John V. Winfield	2018	$ 306,000[1]	$ -	$ -	$ 306,000
Chairman; President and Chief Executive Officer	2017	$ 280,000[1]	$ -	$ 17,000[2]	$ 297,000

[1] Amounts shown include $6,000 per year in regular Directors fees.

[2] During fiscal year 2017, the Company paid premiums of $17,000 for a split dollar whole life insurance policy, owned by, and the beneficiary of which is, a trust for the benefit of Mr. Winfield's family. This policy was obtained in December 1998 and provides for a death benefit of $1,000,000. The Company did not pay any premiums during fiscal year 2018 and the policy benefiting the Company has expired as of June 30, 2018.

As a Smaller Reporting Company, Portsmouth has no compensation committee. Executive Officer compensation is set by disinterested members of the Board of Directors. Portsmouth has no stock option plan or stock appreciation rights for its executive officers. The Company has no pension or long-term incentive plans. There are no employment contracts between Portsmouth and any executive officer, and there are no termination-of-employment or change-in-control arrangements.

Internal Revenue Code Limitations

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), provides that, in the case of a publicly held corporation, the corporation is not generally allowed to deduct remuneration paid to its chief executive officer and certain other highly compensated officers to the extent that such remuneration exceeds $1,000,000 for the taxable year. Certain remuneration, however, is not subject to disallowance, including compensation paid on a commission basis and, if certain requirements prescribed by the Code are satisfied, other performance-based compensation. Since InterGroup, Santa Fe and Portsmouth are each a public company, the $1,000,000 limitation applies separately to the compensation paid by each entity. Stock option expenses are also amortized over several years. For fiscal years 2018 and 2017, no compensation paid by the Company to its CEO or other executive officers was subject the deduction disallowance prescribed by Section 162(m) of the Code.

DIRECTOR COMPENSATION

The following table provides information concerning compensation awarded to, earned by, or paid to the Company's directors for the fiscal year ended June 30, 2018.

DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash	All Other Compensation	Total
Jerold R. Babin	$ 6,000	-	$ 6,000
John C. Love	$ 8,000(1)	-	$ 8,000
William J. Nance	$ 8,000(1)	-	$ 8,000
John V. Winfield(2)	-	-	-

(1) Amounts shown include regular Board fees and Audit Committee fees.

(2) As an executive officer, Mr. Winfield's director fees are reported in the Summary Compensation Table.

Each director of the Company is paid a Board retainer fee of $1,500 per quarter for a total annual compensation of $6,000. This policy has been in effect since July 1, 1985. Members of the Company's Audit Committee also receive a fee of $500 per quarter. Directors and Committee members are also reimbursed for their out-of-pocket travel costs to attend meetings.

Change in Control or Other Arrangements

Except for the foregoing, there are no other arrangements for compensation of directors and there are no employment contracts between the Company and its directors or any change in control arrangements.

Outstanding Equity Awards at Fiscal Year End.

The Company did not have any outstanding equity awards at the end of its fiscal year ended June 30, 2018 and has no equity compensation plans in effect.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth, as of August 31, 2018, certain information with respect to the beneficial ownership of Common Stock owned by (i) those persons or groups known by the Company to own more than five percent of the outstanding shares of Common Stock, (ii) each Director and Executive Officer, and (iii) all Directors and Executive Officers as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership [1]	Percent of Class [2]
John V. Winfield 11620 Wilshire Boulevard, Suite 350 Los Angeles, CA 90025	-	-
Jerold R. Babin 243 28th Street San Francisco, CA 94121	48,345[3]	6.6%
John C. Love 11620 Wilshire Boulevard, Suite 350 Los Angeles, CA 90025	-	-
William J. Nance 11620 Wilshire Boulevard, Suite 350 Los Angeles, CA 90025	-	-
Danfeng Xu 11620 Wilshire Boulevard, Suite 350 Los Angeles, CA 90025	-	-
Santa Fe Financial Corporation and The InterGroup Corporation 11620 Wilshire Boulevard, Suite 350 Los Angeles, CA 90025	603,999[4]	82.3%
All of the above as a group	652,344	88.9%

[1] Unless otherwise indicated, and subject to applicable community property laws, each person has sole voting and investment power with respect to the shares beneficially owned.

[2] Percentages are calculated based of 734,183 shares of Common Stock issued and outstanding as of August 31, 2018.

[3] Jerold R. Babin claims sole voting power over the 48,345 shares identified herein, of which he has sole dispositive power over 9,667 held in his retirement account. He claims shared dispositive power with his wife over the 38,478 shares which they hold as trustees of a family trust.

[4] Santa Fe Financial Corporation is the record and beneficial owner of 505,437 shares of the Common Shares of Portsmouth and 98,562 shares are owned by Santa Fe's parent company, The InterGroup Corporation. As directors of Santa Fe and InterGroup, Messrs. Winfield, Nance and Love have the power to direct the vote of the shares of Portsmouth owned by Santa Fe and InterGroup. As director of InterGroup, Mr. Babin has the power to direct the vote of the shares of Portsmouth owned by InterGroup.

Security Ownership of Management in Parent Corporation.

As of August 31, 2018, John V. Winfield is the beneficial owner of 49,400 shares of the common stock of Portsmouth's parent corporation, Santa Fe. The InterGroup Corporation is the beneficial owner of 1,016,770 shares of common stock of Santa Fe. Pursuant to a Voting Trust Agreement dated June 30, 1998, InterGroup also has the power to vote the 49,400 shares of common stock owned by Mr. Winfield giving it a total of 1,066,170 voting shares, which represents approximately 85.9% of the voting power of Santa Fe. As President, Chairman of the Board and a 64.4% beneficial shareholder of InterGroup, Mr. Winfield has voting and dispositive power over the shares owned of record and beneficially by InterGroup. No other director or executive officer of Portsmouth has a beneficial interest in Santa Fe's shares.

Changes in Control Arrangements.

There are no arrangements that may result in a change in control of Portsmouth.

Securities Authorized for Issuance Under Equity Compensation Plans.

Portsmouth has no securities authorized for issuance under any equity compensation plans.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

As of August 31, 2018, Santa Fe and InterGroup owned 82.3% of the common stock of Portsmouth, and InterGroup and John V. Winfield, in the aggregate, owned approximately 85.9% of the voting stock of Santa Fe.

As discussed in Note 9 – Related Party and Other Notes Payable, on July 2, 2014, the Partnership obtained from the InterGroup Corporation (the parent company) an unsecured loan in the principal amount of $4,250,000.

As discussed in Note 12 – Management Agreements, effective December 1, 2013, the Partnership had a management agreement with GMP Management, Inc., a company owned by a Justice limited partner and a related party. In June 2016, GMP resigned.

In connection with the redemption of limited partnership interests of Justice described in Note 2 above, 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. This agreement was superseded by a letter dated December 11, 2013 from Justice, in which Justice 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 described in Note 2 above, with the remaining payments due upon Justice Investor's having adequate available cash as described in the letter. As of June 30, 2018, $200,000 of these fees remain payable.

Under the terms of the Justice Partnership Agreement, its general partner, Portsmouth, receives compensation of one percent of hotel revenue. During each of the years ended June 30, 2018 and 2017, total compensation paid to Portsmouth under the agreement was $570,000 and $518,000, respectively. Amounts paid to Portsmouth are eliminated in consolidation.

Certain shared costs and expenses, primarily administrative expenses, rent and insurance are allocated among the Company and InterGroup based on management's estimate of the pro rata utilization of resources. For the years ended June 30, 2018 and 2017, these expenses were approximately $72,000 for each respective year.

Four of the Company's Directors serve as directors of InterGroup and three of the Company's Directors serve on the Board of Santa Fe.

As Chairman of the Securities Investment Committee, the Company's President and Chief Executive Officer (CEO), John V. Winfield, directs the investment activity of the Company in public and private markets pursuant to authority granted by the Board of Directors. Mr. Winfield also serves as Chief Executive Officer and Chairman of Santa Fe and InterGroup and oversees the investment activity of those companies. Depending on certain market conditions and various risk factors, the Chief Executive Officer, Santa Fe and InterGroup may, at times, invest in the same companies in which the Company invests. Such investments align the interests of the Company with the interests of these related parties because it places the personal resources of the Chief Executive Officer and the resources of Santa Fe and InterGroup, at risk in substantially the same manner as the Company in connection with investment decisions made on behalf of the Company.

There are no other relationships or related transactions between the Company and any of its officers, directors, five-percent security holders or their families that require disclosure.

Director Independence

Portsmouth is an unlisted company and a Smaller Reporting Company under the rules and regulations of the SEC. With the exception of the Company's President and CEO, John V. Winfield, all of Portsmouth's Board of Directors consists of "independent" directors as independence is defined by the applicable rules and regulations of the SEC and NASDAQ.

Item 14. Principal Accounting Fees and Services.

On November 16, 2017, the Audit Committee appointed Moss Adams LLP ("Moss Adams") as the Company's independent registered public accounting firm for the fiscal year ended June 30, 2018. Prior to the appointment of Moss Adams, Hein & Associates LLP ("Hein") served as our independent registered public accounting firm for fiscal year ended June 30, 2017. Burr Pilger Mayer, Inc. ("BPM") also provided services in connection with the audit of the Company's annual financial statements for fiscal year ended June 30, 2017.

Audit Fees - The aggregate fees billed for each of the last two fiscal years ended June 30, 2018 and 2017 for professional services rendered by the Company's independent registered public accounting firms are set forth in the tables below. These fees were billed for audit of the Company's annual financial statements, review of financial statements included in the Company's Form 10-Q reports, and services provided in connection with statutory and regulatory filings and engagements for those fiscal years.

	Fiscal Year	
	2018	2017
Audit fees - Moss Adams	$ 107,000	$ -
Audit fees - Hein	16,000	148,000
Audit fees - BPM	-	17,000
Tax fees - Moss Adams	5,000	-
Tax fees - Hein	-	5,000
TOTAL:	$ 128,000	$ 170,000

Audit Committee Pre-Approval Policies

The Audit Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent registered public accounting firm, subject to any de minimis exceptions that may be set for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting. All of the services described herein were approved by the Audit Committee pursuant to its pre-approval policies.

None of the hours expended on the independent registered public accounting firms' engagement to audit the Company's financial statements for the most recent fiscal year were attributed to work performed by persons other than the independent registered public accounting firm's full-time permanent employees.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements

The following financial statements of the Company are included in Part II, Item 8 of this Report at pages 21 through 41:

Independent Auditors' Reports

Consolidated Balance Sheets - June 30, 2018 and 2017

Consolidated Statements of Operations for years ended June 30, 2018 and 2017

Consolidated Statements of Shareholders' Deficit for years ended June 30, 2018 and 2017

Consolidated Statements of Cash Flows for years ended June 30, 2018 and 2017

Notes to the Consolidated Financial Statements

(a)(2) Financial Statement Schedules

All other schedules for which provision is made in Regulation S-X have been omitted because they are not required or are not applicable or the required information is shown in the consolidated financial statements or notes to the consolidated financial statements.

(a)(3) Exhibits

Set forth below is an index of applicable exhibits filed with this report according to exhibit table number.

Exhibit Number	Description
3.(i)	Bylaws (amended February 16, 2000)
3.(ii)	Articles of Incorporation
4.	Instruments defining the rights of security holders including indentures (See Articles of Incorporation and Bylaws)*
10.	Material Contracts:
10.1	Amended and Restated Agreement of Limited Partnership of Justice Investors Limited Partnership, effective November 30, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q Report for the quarterly period ended December 31, 2010, filed with the Commission on February 11, 2011).*
10.2	General Partner Compensation Agreement, dated December 1, 2008 (incorporated by reference to Exhibit 10.2 to Company's Form 10-Q Report for the quarterly period ended December 31, 2008, filed with the Commission on February 13, 2009).*
10.3	Franchise License Agreement, dated December 10, 2004, between Justice Investors Limited Partnership and Hilton Hotels (incorporated by reference to Exhibit 10.10 of the Company's amended report on Form 10-K/A for the fiscal year ended June 30, 2011, as filed with the Commission on August 24, 2012).*
10.4	Management Agreement, dated February 2, 2012, between Justice Investors Limited Partnership and Prism Hospitality, L.P. (incorporated by reference to Exhibit 10.11 of the Company's amended report on Form 10-K/A for the fiscal year ended June 30, 2011, as filed with the Commission on August 24, 2012).*
10.5	Management Agreement, dated February 1, 2017, between Justice Operating Company, LLC and Interstate Management Company, LLC.
14.	Code of Ethics (filed herewith).
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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase

101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* All exhibits marked by an asterisk have been previously filed with other documents, including Registrant's Form 10 filed on October 27, 1967, and subsequent filings on Forms 8-K, 10-K, 10-KSB, 10-Q and 10-QSB, which are incorporated herein by reference.

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: August 31, 2018 by /s/ John V. Winfield
John V. Winfield, President,
Chairman of the Board and
Chief Executive Officer

Date: August 31, 2018 by /s/ Danfeng Xu
Danfeng Xu, Treasurer
and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title and Position	Date
/s/ John V Winfield John V. Winfield	President, Chief Operating Officer and Chairman of the Board (Principal Executive Officer)	August 31, 2018
/s/ Danfeng Xu Danfeng Xu	Treasurer and Controller (Principal Financial Officer)	August 31, 2018
/s/ Jerold R. Babin Jerold R. Babin	Director	August 31, 2018
/s/ John C. Love John C. Love	Director	August 31, 2018
/s/ William J. Nance William J. Nance	Director	August 31, 2018

Exhibit 3(i)

BY-LAWS

of

PORTSMOUTH SQUARE, INC.

ARTICLE I

Directors

Section. 1. Number. The number of directors of this corporation shall be five (5), unless and until changed by amendment of these by-laws duly adopted by the shareholders.

Section 2. Election and Terms. The directors named in the Articles of Incorporation of this corporation shall hold office until the next annual meeting of the shareholders and until their successors are elected either at an annual meeting or at a special meeting of shareholders. Subject to the foregoing, the directors shall be elected annually at an annual or regular or a special meeting of the shareholders. Their terms of office shall begin immediately after election and shall continue for one year and until their successors are elected and qualified. At all elections or votes had for any purpose, there must be present in person or by proxy the holders of a majority of the shares entitled to vote and every person acting therein in person or by proxy or representative must be a bona fide shareholder having stock in his own name on the stock books of the corporation.

Section 3. Quorum. Except as herein otherwise specifically provided, a majority of the authorized number of directors shall constitute a quorum of the board for the transaction of business. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be the act of the Board of Directors, provided, however, that a minority of the Board of Directors in the absence of a quorum, may adjourn any meeting of the Board of Directors from day to day, but may not transact any business except the filling of vacancies in the Board of Directors as in these by-laws hereinafter provided.

Section 4. Compensation. Directors as such shall not receive any stated salary for their services, provided that nothing herein contained shall be construed to preclude payment of a fee for attendance at meetings, or preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 5. ~~Vacancies. Any vacancy or vacancies in the Board of Directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so chosen shall hold office until his successor is elected at an annual or a regular or special meeting of the shareholders. A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any director, or if the authorized number of directors be increased, or if the shareholders fail at any annual, regular or special meeting of shareholders to elect the full authorized number of directors to be voted for at the meeting.~~

Section 5. Vacancies. Any vacancy or vacancies in the Board of Directors may be filled by a majority of the remaining directors, though less than a quorum, by a sole remaining director, by shareholders entitled to exercise a majority of the voting power of the corporation, or by the written assent of such shareholders, and each director so chosen shall hold office until his successor is elected at an annual or a regular or special meeting of the shareholders. A vacancy or vacancies in the Board of Directors shall be deemed to exist in the case of the death, resignation or removal of any director, or if the authorized number of directors be increased, or if the shareholders fail at any annual, regular or special meeting of shareholders to elect the full authorized number of directors to be voted for at the meeting. (Amended June 25, 1979)

Section 6. Powers and Duties. Subject to the limitations of the Articles and of the Corporations Code of the State of California, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be controlled by the Board of Directors. Without prejudice to such general powers but subject to the limitations herein set forth, the Board of Directors shall have power;

FIRST: To elect and remove at pleasure all the other officers, agents and employees of the corporation, prescribe such duties for them as may not be inconsistent with law and these by-laws, fix the terms of their offices and their compensation and in their discretion require from them security for faithful service.

SECOND: To appoint an executive committee and any other committees which may seem to them advisable, and to delegate to the executive committee, or any such other committee subject to the control of the Board of Directors, any of the powers and authority of the board, except the power to declare dividends and to adopt, amend or repeal these by-laws, provided, however, that any such executive committee shall be composed of two or more directors.

THIRD: To conduct, manage and control the affairs and business of the corporation, and to make such rules and regulations therefor, not inconsistent with laws and these by-laws, as they may deem best.

FOURTH: To fix, from time to time, the office of the corporation, and to designate from time to time any place or places where meetings of the shareholders and/or directors of this corporation shall or may be held; to adopt, make and use a corporate seal, and to prescribe the forms of certificates of stock, and to alter the forms of such seal and such certificates, from time to time, as in their judgment may seem best.

FIFTH: From time to time, or at any time, subject to the power of the shareholders to adopt, amend, or repeal by-laws, to adopt, amend or repeal by-laws other than a by-law or amendment thereof changing the authorized number of directors.

SIXTH: To fix by resolution a record date with reference to the payment of dividends and the right to vote the stock of this corporation.

ARTICLE II

Officers

Section 1. Election and Qualifications. The officers of this corporation shall consist of a President, a Vice President, a Secretary and a Treasurer. They shall be chosen by the Board of Directors, and the President must be chosen from the directors. Any other officers may or may not be directors. The same person may be chosen for and hold any two or more of said offices, except that the same person may not hold both the office of President and that of Secretary. The Board of Directors, if they deem it advisable, may elect at any time a Chairman of the Board of Directors, one or more additional Vice Presidents, one or more Assistant Secretaries and/or one or more Assistant Treasurers with such powers as the board shall from time to time prescribe.

Section 2. Terms and Compensation. The terms of office and the salary of each of said officers, and the manner and time of the payment of such salaries shall be fixed and determined by the Board of Directors and may be altered by said board from time to time, and at any time at its pleasure,

ARTICLE III

President

Section 1. Powers and Duties. The powers and duties of the President are to preside at all meetings of the share- holders and the Board of Directors in the absence of a Chairman of the board, and to call special meetings of the shareholders, and also of the Board of Directors, to be held at any office or place of business of the corporation, at such times as he shall deem proper.

Section 2. President Pro Tem. If neither the President nor any Vice President be present at any meeting of the Board of Directors, or of the shareholders, a President pro tem may be chosen to preside and act at such meeting.

ARTICLE IV

Vice President

Section 1, Powers and Duties. The Vice President shall perform all of the duties of the President whenever the President is not available due to absence or any other cause.

ARTICLE V

Secretary

Section 1. Powers and Duties. The powers and duties of the Secretary are to keep full and complete record of the proceedings of the board of Directors and of the meetings of the shareholders, and to make service and publication of all notices that may be necessary or proper, and without command or direction from anyone. In case of the absence, inability, refusal or neglect of the Secretary to make service or publication of any notices, then such notices may be served and published by the President or a Vice President, or by any person thereunto authorized by either of them, by the Board of Directors or by the holders of a majority of the capital stock. He shall also have power to transfer upon the stock books of the corporation any and all shares of its stock; provided, however, that no certificate of stock shall be issued or delivered, or if issued or delivered, shall have any validity whatsoever, until and unless it has been signed by the President or a Vice President of the corporation.

ARTICLE VI

Treasurer

Section 1. Powers and Duties. The power and duties of the Treasurer are to supervise and control the keeping of the accounts and books of the corporation, and to receive all moneys belonging to or paid unto the corporation and give receipts therefor, and deposit such moneys, as he shall be directed by the Board of Directors, with one or more solvent and reputable banks or bankers to be designated by the Board of Directors; to keep full and complete records of the funds received and the disbursements thereof. He shall render to the shareholders at the regular annual meeting thereof, and also to the Board of Directors at any meeting thereof or from time to time whenever the Board of Directors or the President may require, an account of all transactions as Treasurer and of the financial condition of the corporation, and shall perform such other duties as may from time to time be prescribed by the Board of Directors. He shall exhibit or cause to be exhibited the books of the corporation to the Board of Directors, or to any committee appointed by the board, or to any director on application during business hours.

ARTICLE VII

Meeting of Shareholders

Section 1. Place of Meetings. Notwithstanding anything to the contrary in these by-laws provided, any meeting (whether regular, special or adjourned) of the shareholders of this corporation may be held at its principal office, or at any place within or without the State of California which has been designated therefor by the Board of Directors.

Section 2. ~~Regular Meetings subject to the Foregoing provision the regular annual meeting of the shareholders of which no notice need be given shall be held at the principal office of the corporation at the hour of 2:00 o'clock P.M on the first Tuesday in may in each year or if such day is a holiday then on the next succeeding business day. At said regular annual meeting directors at the corporation shall be elected to serve for the ensuing year and until their successors are elected and qualified~~.

Section 2. ~~Regular Meetings subject to the foregoing provision the regular annual meeting of the shareholders of~~ which ~~no notice need be given shall be held at the principal office of the corporation at the hour of 2:00 o'clock P.M on the first Thursday in December in each year or if such day is a holiday then on the next succeeding business day At said regular annual meeting directors of the corporation shall be elected to serve for the ensuing year and until their successors are elected and qualified~~. (Amended June 16 , 1970)

Section 2. ~~Regular Meetings. Subject to the foregoing prevision the regular annual meeting of the shareholders of which no notice need be given shall be held at the principal office of the corporation at the hour of 2:00 o'clock P.M on the first Tuesday in may in each year, or if such is a holiday then on the next succeeding business day at said regular annual meeting directors of the corporation shall be elected to serve for the ensuing year and until their successors are elected and qualified~~ (Amended December 4, 1980)

Section 2. Regular Meetings. Subject to the foregoing provision, the regular annual meeting of the shareholders shall be held at an hour to be designated each year by the Board of Directors on the first Tuesday in May in each year, or if such day is a holiday, then on the next succeeding business day. At said regular annual meeting, directors of the corporation shall be elected to serve for the ensuing year and until their successors are elected and qualified. (Amended February 22, 1984)

Section 3. Special Meetings. Special meetings of the shareholders may be called at any time by the President, or by the Board of Directors or by one or more shareholders holding not less than one-fifth of the voting power of the corporation or by any two or more members of the Board of Directors.

Section 4. ~~Notice of meetings of shareholders shall be given by written notice personally served on each shareholders or deposited in the United States mail postage prepaid and addressed to him at his address appearing upon the books of the corporation or supplied by him to the corporation for the purpose of notice at least ten (10) days before the time fixed for holding said meeting provided However that if the shareholders has supplied no address and if the place of business or residence of the shareholder is not known to the secretary then notice shall be deemed to have been given to him if mailed within such time to him General Delivery at the country seat of the country of the corporation's principal place of business or published at least once in some newspaper of general circulation in said country seat~~.

Section 4. Notice of Regular and Special Meetings. Notice of regular and special meetings of shareholders shall be given by written notice personally served on each shareholder, or deposited in the United states mail, postage prepaid, and addressed to him at his address appearing upon the books of the corporation’ or supplied by him to the corporation for the purpose of notice at least ten (10) days before the time fixed for holding said meeting; provided, however, that if the shareholder has supplied no address and if the place of business or residence of the shareholder is not known to the Secretary, then notice shall be deemed to have been given to him if mailed within such time to him General Delivery at the county seat of the county of the corporation's principal place of business, or published at least once in some newspaper of general circulation in said county seat. (Amended February 22, 1984)

Section 5. Quorum, Voting and Proxies. At all meetings of the shareholders (whether regular, special or adjourned), the presence in person or by proxy in writing of the holders of a majority of the shares entitled to vote at that meeting shall constitute a quorum for the transaction of business. Each share of stock shall entitle the duly qualified holder thereof to one vote. All proxies shall be in writing subscribed by the party entitled to vote the number of shares represented thereby, or by his duly authorized attorney, and no such proxy shall be valid or confer any right or authority to vote or act thereunder unless such proxy has been offered for filing to, and left with, the Secretary of the corporation prior to the meeting at which time the same is to be used; provided that in case any meeting of shareholders whatsoever (whether regular, special or adjourned) shall have been for any cause adjourned, proxies shall be valid and may be used at such adjourned meeting, which have been offered for filing to, and left with, the Secretary of the corporation prior to the date upon which said adjourned meeting shall be in fact held. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the shareholder executing it specifies therein the length of time for which such proxy is to continue in force, which in no case shall exceed seven (7) years from the date of its execution.

Section 6. Adjournments. Any business which might be done at a regular meeting of the shareholders may be done at a special or at an adjourned meeting. If no quorum be present at any meeting whatsoever of the shareholders (whether regular, special or adjourned), such meeting may be adjourned by those present from day to day, or from time to time, until such quorum be obtained, such adjournment and the reason therefore being recorded in the journal or minutes of proceedings of the shareholders, and no notice whatsoever need be given of any such adjourned meeting, unless the adjournment be for thirty (30) days or more, in which case a new notice may be given as in the case of a meeting originally called.

Section 7. Waiver and Consent. The transactions of any meeting of shareholders, however called or noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, either in person or by proxy, and if either before or after the meeting, each of the shareholders entitled to vote, not present in person or by proxy, sign a written waiver of notice or consent to the holding of such meeting an approval of the minutes thereof.

****

ARTICLE VIII

Meetings of Directors

Section 1. Place of Meetings. Notwithstanding anything to the contrary in these by-laws provided, any meeting (whether regular, special or adjourned) of the Board of Directors of this corporation may be held at its principal office, or at any place within or without the state of California which has been theretofore designated for that purpose by resolution of the Board of Directors or by the written consent of all of the members of the board.

Section 2. Regular Meetings. The regular annual meeting of the Board of Directors, of which no notice need be given, shall be held immediately after the adjournment of each annual meeting of the shareholders.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called at any time by order of the President or of any Vice President or of two or more of the directors.

Section 4. Notice of Special Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be given to each director by the delivery personally or by mail of a written or printed notice or by cable, telegraph, radio telegraph, telephone or radio telephone at least twenty- four (24) hours before the time fixed for holding said meeting. Each director shall register his address with the Secretary and notice of the meetings sent or given by mail, cable, telephone, radio telephone, telegraph or radio telegraph, as hereinabove provided, to such address shall be valid notice of such meeting.

If any director shall fail to so register his address, such notice may be mailed to such director, General Delivery, at the county seat of the county of the principal place of business. Such service of notice shall be entered in the minutes of the corporation, and said minutes, upon being read and approved at a subsequent meeting of the Board of Directors, shall be conclusive upon the question of notice.

Section 5. Waiver and Consent. The transactions of any meeting of directors, however called or noticed, shall be valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if either before or after the meeting, each of the directors not present sign a written waiver of notice or a consent to the holding of such meeting, or an approval of the minutes thereof.

Section 6. Business at a Special or Adjourned Meeting. Any business which might be done at a regular meeting of the Board of Directors may be done at a special or at an adjourned meeting of the board.

Section 7. Action without Meeting. Any action required or permitted to be taken by the Board of Directors under the law or any provision of these by-laws may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes or the proceedings of the board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors. Any certificate or other document filed on behalf of this corporation which relates to an action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting, and that the by-laws of this corporation authorize its directors to so act.

ARTICLE IX

Notice of Regular Meetings

Section 1. Dispensed with. Notice of any and all regular meetings of the shareholders and of the Board of Directors is hereby waived and dispensed with, and no notice whatsoever need be given of any such regular meeting, except as provided in Section 2201 of the Corporations Code of the State of California, unless it is to be held at a place other than the principal office of the corporation in the State of California, or the place at which it is regularly held.

ARTICLE X

Amendments

Section 1. Method of Amendment. These by-laws may be adopted, amended or repealed and new and additional by-laws may be made from time to time and at any time by shareholders entitled to exercise a majority of the voting powers of the corporation, or by the written assent of such shareholders. Subject to the right of the shareholders to adopt, amend or repeal these by-laws, these by-laws may be adopted, amended or repealed by the Board of Directors in the exercise of the power granted to said Board of Directors in Article I, Section 6, subdivision Fifth, of these by-laws.

CERTIFICATION BY SECRETARY

I, VIRGINIA W. SIMPSON, the duly elected, qualified, and acting Secretary of Portsmouth Square, Inc., a California corporation, hereby certify that the above and foregoing Code of By-Laws is a true and correct copy of the By-Laws of Portsmouth Square, Inc. including all amendments thereto.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of April, 1984.

/s/ VIRGINIA W.SIMPSON

VIRGINIA W.SIMPSON

CONSENT ACTION TAKEN WITHOUT MEETING
BY THE BOARD OF DIRECTORS OF
PORTSMOUTH SQUARE, INC.

As of February 16, 2000

The undersigned, being all of the qualified and acting Directors of Portsmouth Square Inc., a California corporation ("Portsmouth" or the "Company"), do hereby consent in writing to the adoption of the following resolution, pursuant to all applicable laws permitting such action to be taken and as authorized by the bylaws of this corporation.

WHEREAS, the Company's Bylaws currently require the Company to hold its annual meeting of shareholders on the first Tuesday of May each year; and

WHEREAS, the requirement that the Company only hold its annual meeting of shareholders on a specific date denies the Board of Directors the flexibility to set a date for the annual meeting which is more consistent with the Company's public reporting requirements and which would allow the Company greater time to prepare and transmit its proxy material and annual reports to shareholders; and

WHEREAS, it would be in the best interests of the Company and its shareholders to amend the Company's Bylaws to give the Board of Directors the discretion to determine, each year, the date of the Company's annual meeting,

THEREFORE, IT IS RESOLVED, that ARTICLE VII, Section 2 of the Bylaws of the Company be amended to read as follows:

Section 2. Regular Meetings. The date, time and place of the Company's regular annual meeting of shareholders shall be determined and set each year by the Board of Directors in accordance with applicable law. At said regular annual meeting, directors of the corporation shall be elected to serve for the ensuing year and until their successors are elected and qualified.

IN WITNESS WHEREOF, the undersigned have executed this Consent to Action Taken Without Meeting as of February 16, 2000.

/s/ John V. Winfield	/s/ William J. Nance
John V. Winfield	William J. Nance
/s/ John C. Love	/s/ Jerold R. Babin
John C. Love	Jerold R. Babin

/s/ Josef A. Grunwald
Josef A. Grunwald

WRITTEN ASSENT OF MAJORITY SHAREHOLDER

The undersigned shareholder, which holds in excess of 68% of the voting power of Portsmouth Square, Inc., hereby assents in writing to the amendment to the Company's Bylaws as set forth in the above Consent Action of the Board of Directors.

Dated: February 16, 2000

SANTA FE FINANCIAL CORPORATION

By /s/ John V. Winfield
John V. Winfield, President

Exhibit 3(ii)

State of California

SECRETARY OF STATE

I, *Kevin Shelley*, Secretary of State of the State of California, hereby certify:

That the attached transcript of ___ page(s) was prepared by and in this office from the record on file, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

Secretary of State

Sec/State Form CE-108 (rev. 1/03)

OSP 03 74671

FILED
In the office of the Secretary of State
of the State of California
JUL - 6 1967
FRANK M. JORDAN, Secretary of State
Deputy

529309

ARTICLES OF INCORPORATION

OF

PORTSMOUTH SQUARE, INC.

FIRST: The name of this corporation is:

PORTSMOUTH SQUARE, INC.

SECOND: The purposes for which this corporation is formed are:

(1) As the specific business in Which the corporation is primarily to engage, to acquire interests in the real property, formerly the site of the Hall of Justice in San Francisco, California, and the improvements to be constructed thereon and contiguous thereto;

(2) For its own account or for the account of others, to acquire, mine, extract, construct, manufacture, hold, sell (including "short sales"), hypothecate, lease and generally to deal in and with personal and real property of every kind (including "commodity futures," inventions, patents and trademarks); to acquire (on margin or otherwise), underwrite, guarantee, hold, sell (including "short sales"), pledge and generally deal in and with notes, obligations and securities of all kinds (including its own), regardless of how or by whom issued and while owner thereof to exercise all rights in connection therewith and to aid the issuers thereof by loan, subsidy or in any other manner; to issue its securities of any and all kinds and to repurchase the same for any consideration at any time allowed by law; to borrow or lend money in any manner.

(3) This corporation shall be authorized to exercise and enjoy all other powers, rights and privileges granted by the laws of the State of California to corporations of this character as in force from time to time so far as not in conflict herewith, including all powers granted to such corporations by any and all acts heretofore or hereafter amendatory of or supplemental to any of such laws now in force, and the enumeration of said powers as herein specified shall not be construed to exclude or waive any of the powers, rights, or privileges granted or conferred by said laws now or hereafter in force.

Restriction of right
to amend articles
Yes No

(4) The foregoing clauses shall be construed as powers as mull as objects and purposes, and the matters expressed in each clause shall, unless otherwise expressly provided be in wiss limited by reference to or inference from the terms of any other clause, but shall be regarded as independent objects, purposes, and powers; and the enumeration of specific objects, purposes and powers shall not be construed to limit or restrict in any manner the meaning of general terms or the general powers of the corporation; nor shall the expression of one thing be deemed to exclude another not expressed, although it be of like nature.

THIRD: The county in the State of California where the principal office for the transaction of the business of this corporation is to be located is the County of San Francisco.

FOURTH: This corporation is authorized to issue only one class of shares. The total number of shares which the corporation is authorised to issue is 100.000. All of said shares shall be without par value.

There shall be no distinction whatsoever between any of the shares of the corporation. The holders of shares shall be entitled to receive dividends thereon when and as declared by the Board of Directors, out of surplus or net profits of the corporation, and upon dissolution, liquidation or winding up, whether voluntary or involuntary, shall be entitled to receive, ratably, all of the assets of the corporation.

Subject to all applicable provisions of law, each holder of any shares of this corporation shall be entitled to one vote for each such share so held for all purposes.

A consolidation or merger of this corporation, with or into any other corporation or corporations, shall not be deemed a dissolution, liquidation or winding up within the meaning of any of the foregoing provisions.

FIFTH: The number of directors of this corporation shall be not less than five nor more than seven, the exact number of which directors, within the limits hereinabove specified, shall be fixed from time to time by a by-law or amendment thereof duly adopted by the shareholders or by the board of directors. The names and addresses of the persons who are appointed to act as the first directors are as follows:

Name	Address
Palmer York, Jr.	2400 Russ Building San Francisco, California
Harold G. Linfield	2400 Russ Building San Francisco, California
Joseph C. Eldridge	2400 Russ Building San Francisco, California
John G. Eliot	351 California Street, Suite 1215 San Francisco, California
Frank H. Sloss	351 California Street, Suite 1215 San Francisco, California

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of California, we, the undersigned, constituting the incorporators of this corporation, including the persons named hereinabove as the first Directors of this corporation, have executed these Articles of incorporation this 6th day of July, 1967.

/S/ BALMER YORK, JR
BALMER YORK, JR

/S/.HAROLD G.LINFIELD
HAROLD G.LINFIELD

/S/ JOSEPH C.ELDRIDGE
JOSEPH C.ELDRIDGE

/S/ JOHN G.ELIOT
JOHN G.ELIOT

/S/ PRANK H.SLOSS
PRANK H.SLOSS

STATE OF CALIFORNIA)
) as.
CITY AND COUNTY OF SAN FRANCISCO)

On this 6th day of July, 1967, before me, the undersigned, a Notary Public in and for the City and County of San Francisco, residing therein, duly commissioned and sworn, personally appeared Palmer York, Jr., Harold G. Linfield, Joseph C. Eldridge, John G. Eliot and Frank H. Sloss, known to me to be the persons who are described in and who executed the fore going instrument and acknowledged to me that they executed the game.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

ROSE S. ROUALET, NOTARY PUBLIC

Rose S. Roualet
Notary Public
in and for the City and
County of San Francisco.
State of California.
ROSE S. ROUALET
My Commission Expires Aug. 10, 1970

Number share without par value changed from 1,00,000 to 150,000

Corporation No. 529309

A71221

A71221

FILED

SEP 25 1967

CERTIFICATE OF AMENDMENT

OF

ARTICLES OF INCORPORATION

OF

PORTSMOUTH SQUARE, INC.

We, the undersigned, do hereby certify and declare

(1) That we constitute at least two-thirds of the incorporators of Portsmouth Square, Inc., a California corporation, and that in adopt the amendment to the Articles of Incorporation herein set forth.

(2) That said corporation has issued no shares and has no subscription to shares outstanding.

(3) That we hereby adopt the following amendment of said Articles of Incorporation:

Article Fourth of said Articles of Incorporation is hereby amended to read as follows:

"FOURTH: This corporation is authorised to issue only one class of shares. The total number of shares which the corporation is authorised to issue is 150,000. All of said shares shall be without par value.

There shall be no distinction whatsoever between any of the shares of the corporation. The holders of shares shall be entitled to receive dividends thereon when and as declared by the Board of Directors, out of surplus or net profits of the corporation, and upon dissolution, liquidation or winding up, whether voluntary or involuntary, shall be entitled to receive, ratably, all of the assets of the corporation.

Subject to all applicable provisions of law, each holder of any shares of this corporation shall be entitled to one vote for each such share so held for all purposes.

A consolidation or merger of this corporation, with or into any other corporation or corporations, shall not be deesed a dissolution, liquidation or winding up within the meaning of any of the foregoing provisions."

IN WITNESS WHEREOF, the undersigned have executed this Certificate of Amendment this 20th day of September, 1967.

The undersigned each declares under penalty of perjury that the matters set forth in the foregoing Certificate are true of their own knowledge.

Executed at San Francisco, California, on September 20th 1967.

Number shares without par value changed from 150, 000 to 250,000

A78633

529309

FILED
In the office of the Secretary of State
of the State of California
AUG - 8 1968
FRANK M. JORDAN, Secretary of State
Deputy

CERTIFICATE OF AMENDMENT

OF

ARTICLES OF INCORPORATION

OF

PORTSMOUTH SQUARE, INC.

The undersigned, Palmer York, Jr. and T. A. DeLusignan, do hereby certify that they are and have been at all times herein mentioned the duly elected and acting President and Secretary, respectively, of Portsmouth Square, Inc. a California corporation; and further that:

1. At a special meeting of the Board of Directors of said corporation held at 2400 Russ Building, San Francisco,

California on the 25th day of July, 1968, the following resolutions were adopted:

"RESOLVED, that it is deemed by the Board of Directors of this Corporation to be in its best interests, and in the best interests of its shareholders, that its Articles of Incorporation be amended as hereinafter provided.

Now therefore, be it further

RESOLVED, that Article Fourth of the Articles of Incorporation of this Corporation be amended to read as follows:

FOURTH: This Corporation is authorized to issue only one class of shares. The total number of shares which the Corporation is authorized to issue is 250,000. All of said shares shall be without par value.

There shall be no distinction whatsoever between any of the shares of the Corporation. The holders of shares shall be entitled to receive dividends thereon when and as declared by the Board of Directors, out of surplus or net profits of the Corporation, and upon dissolution, liquidation or winding up, whether voluntary or involuntary, shall be entitled to receive, ratably, all of the assets of the Corporation.

Subject to all applicable provisions of law, each holder of any shares of this Corporation shall be entitled to one vote for each such share so held for all purposes.

A consolidation or merger of this Corporation with or into any other corporation or corporations shall not be deemed a dissolution, liquidation or winding up within the meaning of any of the foregoing provisions.

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby adopts and approves said amendment of its Articles of Incorporation."

2. That at a special meeting of the shareholders of the corporation held on the 7th day of August, 1968, at Room 2400 Russ Building in the City and County of San Francisco, the amendment to the Articles of Incorporation was adopted, ratified and approved by a resolution identical in form to the Directors' resolution hereinabove set forth.

3. That the number of shares voting in favor of the resolution was 70,150 shares.

4. That the total number of shares entitled tc vote on said amendment was 100,000.

IN WITNESS WHEREOF, the undersigned have executed this Certificate of Amendment this 7th day of August 1968.

/s/ Palmer Yorker, Jr
President of Portsmouth Square, Inc.

/s/ T. A. DeLusignan
Secretary of Portsmouth Square, Inc.

The undersigned declare under penalty of perjury that the matters set forth in the foregoing Certificate are true of their own knowledge.

Executed at San Francisco, California on August 7 , 1968.

/s/ Palmer Yorker, Jr
Palmer Yorker, Jr

/s/ T. A. DeLusignan
T. A. DeLusignan

Number shares without par value changed from 250,00 to 750,000

A85835

529309

FILED
In the office of the Secretary of State
of the State of California

MAY 27 1969

FRANK M. JORDAN, Secretary of State

By Bill Hoeda
Deputy

CERTIFICATE OF AMENDMENT

of

ARTICLES OF INCORPORATION
of

PORTSMOUTH SQUARE. INC.

The undersigned, Palmer York, Jr. and T.A. deLusignan, do hereby certify by that they are and have been at all times herein mentioned the duly elected and acting President and Secretary, respectively, of Portsmouth Square, Inc., a California corporation; and further that:

1. At a meeting of the Board of Directors of said corporation held in San Francisco, California on the 26th day of May 1969, the following resolutions were adopted:

"RESOLVED, that Paragraph (2) of Article Second of the Articles of Incorporation of this corporation be amended to read as follows:

(2) For its own account or for the account of others, to acquire, mine, extract, construct. manufacture, hold, sell (including "short sales"), hypothecate, lease and generally to deal in and with personal and real property of every kind (including "commodity futures," inventions, patents and trademarks); to acquire (on margin or other wise) , underwrite, guarantee, hold, sell (including "short sales"), pledge and generally deal in and with notes, obligations and securities of all kinds (including its own), regardless of how or by whom issued and while owner thereof to exercise all rights in connection therewith and to aid the issuers thereof by loan, subsidy or in any other manner; to issue its securities of any and all kinds and to repurchase the same for any consideration at any time allowed by law; to borrow or lend money in any manner; to become a partner (either general or limited, or both) and to enter into agreements of partnership and joint venture for the purposes of carrying on any business or transaction whatsoever which the corporation may deem proper and convenient.' and,

RESOLVED, that the first full paragraph of Article Fourth of the Articles of Incorporation of this corporation which now reads as follows:

'FOURTH: This corporation is authorized to issue only one class of shares. The total number of shares which the corporation is authorized to issue is 250,000. All of said shares shall be without par value.'

is hereby amended to read as follows:

'FOURTH: This corporation is authorized to issue only one class of shares. The total number of shares which the corporation is authorized to issue is 750,000. All of said shares shall be without par value.'

RESOLVED FURTHER, that the Board of Directors of this corporation hereby adopts and approves said amendments to its Articles of Incorporation."

2. At a postponed annual meeting of the shareholders of the corporation held in San Francisco, California on the 26th day of May, 1969, the amendments to the Articles of Incorporation were adopted, ratified and approved by resolution identical in form to the Directors' resolutions herein above set forth.

3. That the number of shares voting in favor of the resolution was 135,100 shares,

4. That the total number of shares entitled to vote on said amendment was 191,920.

IN WITNESS WHEREOF, the undersigned have executed this Certificate of Amendment this 26 day of May, 1969.

/s/ Palmer York, Jr
President of Portsmouth Square, Inc.

/s/ T. A. deLusignan
Secretary of Portsmouth Square, Inc.

The undersigned declare under penalty of perjury that the matters set forth in the foregoing Certificate are true of their own knowledge.

Executed at San Francisco. California on May 26, 1969.

/s/ Palmer York, Jr
Palmer York, Jr

/s/ T. A. deLusignan
T. A. deLusignan

PRINCIPAL OFC. CHG. TO: SAN DIEGO

529309

A216480

FILED
In the office of the Secretary of State
of the State of California

MAR 28 1980

MARCH FONG EU, Secretary of State

Deputy

CERTIFICATE OF AMENDMENT

OF

ARTICLES OF INCORPORATION

OF

PORTSMOUTH SQUARE, INC.

R. N. GOULD and VIRGINIA W. SIMPSON, certify that:

1. They are the President and the Secretary respectively, of Portsmouth Square, Inc., a California corporation,

2. Article Third of the Articles of Incorporation of said corporation shall be amended to read as follows:

"The County in the State of California where the principal office for the transaction of the business of this corporation is to be located in the County of San Diego.

3. The Board of Directors ratified san Diego as the principal office of the corporation at its meeting held December 12, 1979.

4. By written assent dated March 25, 1980, The Ramapo Corporation, majority shareholder of the Portsmouth Square, Inc. ratified San Diego as the principal office of the corporation and approved ratified and confirmed the foregoing amendment to Articles of Incorporation of Portsmouth Square,. nc.

5. The amendment was thus approved, ratified and confirmed by vote of Portsmouth's majority shareholder, The Ramapo Corporation, who owns 401,351 shares or 53.5% of the issued and outstanding shares of Portsmouth.

6. The total number of shares entitled to approve, ratify and confirm said amendment was 750,000
IN WITNESS WHEREOF, the undersigned have executed this Certificate of Amendment this 25th day of March, 1980.

/S/ R. N. GOULD
President of Portsmouth Square, Inc.

/S/ VIRGINIA W. SIMPSON
Secretary of Portsmouth Square, Inc

Each of the undersigned declares under penalty of perjury that the matters set forth in the foregoing Certificate are true and correct of his or her own knowledge and that this declaration was executed on March 25, 1980 at San Diego, California.

/S/ R. N. GOULD
R. N. GOULD
President of Portsmouth Square, Inc.

/S/ VIRGINIA W. SIMPSON
VIRGINIA W. SIMPSON
Secretary of Portsmouth Square, Inc.

A352310

529309

FILED
In the office of the Secretary of State
of the State of California

MAY 25 1988

March Fong Eu
MARCH FONG EU, Secretary of State

CERTIFICATE OF AMENDMENT

OF

ARTICLES OF INCORPORATION

OF

PORTSMOUTH SQUARE, INC.

The undersigned, R. N. GOULD and VIRGINIA W. SIMPSON, do hereby certify that they are and have been at all times herein mentioned the duly elected and acting President and Secretary, respectively, of Portsmouth Square, Inc., a California corporation; and further that:

1. At a meeting of the Board of Directors of said corporation held in San Diego, California on the 3rd day of May, 1988, the following resolution was adopted, ratified and confirmed:

RESOLVED, That the Articles of Incorporation of Ports mouth Square, Inc. are hereby amended by adding Articles Sixth and Seventh, and reading as follows:

SIXTH:The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

SEVENTH: The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the Corporations Code) for breach of duty to the corporation and its stockholders through bylaw provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Section 317 of the Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the Corporations Code.

2. At the annual meeting of the shareholders of the corporation held in San Diego, California on the 3rd day of May, 1988, the amendment to the Articles of Incorporation was adopted and approved by resolution identical in form to the Directors' resolution hereinabove set forth.

3. The number of shares voting in favor of the resolution was 640,110 shares or 85.35% of the issued and outstanding shares of the corporation.

4. The total number of shares entitled to approve, ratify and confirm said amendment was 750,000.

IN WITNESS WHEREOF, the undersigned have executed this Certificate of Amendment this 18th day of May 1988.

/s/ R. N. GOULD
President of Portsmouth Square, Inc.

/s/ VIRGINIA W. SIMPSON
Secretary of Portsmouth Square, Inc

Each of the undersigned declares under penalty of perjury under the laws of the State of California that the matters set forth in the foregoing Certificate are true and correct of his or her own knowledge and that thir declaration was executed on May 18, 1988 at San Diego, California.

/s/ R. N. GOULD
R. N. GOULD
President of Portsmouth Square, Inc.

/s/ VIRGINIA W. SIMPSON
VIRGINIA W. SIMPSON
Secretary of Portsmouth Square, Inc.

Exhibit 10.5

HOTEL MANAGEMENT AGREEMENT

By and Between

JUSTICE OPERATING COMPANY LLC
and

INTERSTATE MANAGEMENT COMPANY, LLC

HILTON SAN FRANCISCO FINANCIAL DISTRICT

FEBRUARY 1, 2017

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HOTEL MANAGEMENT AGREEMENT

THIS HOTEL MANAGEMENT AGREEMENT (this "Agreement") is entered into on this 1st day of February, 2017 (the "Commencement Date"), between **JUSTICE OPERATING COMPANY LLC,** a Delaware limited liability company (the "Owner") and **INTERSTATE MANAGEMENT COMPANY, LLC,** a Delaware limited liability company (the "Operator").

RECITALS

A. Owner is the owner of the hotel known as the Hilton San Francisco Financial District located at 750 Kearny Street, San Francisco, CA 94108 (the "Hotel"); and

B. Owner and Operator desire to evidence their agreement with respect to the operation, direction, management, and supervision of the Hotel as more particularly set forth below.

NOW, THEREFORE, for and in consideration of the premises, and other good and valuable consideration, Owner and Operator agree as follows:

ARTICLE I

THE HOTEL

1.1. Owner and Operator acknowledge that the Hotel consists of and contains the Building, together with the parcel of land on which the Building is located, the Installations, the FF&E, the Operating Equipment, the Operating Supplies and fitness facilities and any parking areas or other facilities located on such land, including, without limitation, the Chinese Cultural Center premises, and the spa premises. Operator and Owner agree that while the operation and management of any parking areas will be included in the definition of the Hotel and therefore shall be managed by Operator pursuant to the terms of this Agreement, Owner hereby reserves the right to have all or any portion of such parking areas managed by any person or entity other than Operator (the "Owner Parking Facility Rights") and as result thereof such parking areas shall no longer be included as part of the Hotel for purposes of Operator's management thereof. In addition, Operator agrees that Owner shall have the right to repurpose various portions of the Hotel at any time during the Operating Term.

ARTICLE II

OPERATING TERM

2.1. This Agreement shall have an initial term commencing on the Takeover Date and expiring on the tenth (10th) anniversary of the Takeover Date (the "Initial Term"), unless sooner terminated in accordance with the provisions of this Agreement or unless extended as provided by the terms of this Agreement or as otherwise provided by the written agreement of Owner and Operator. This Agreement shall automatically renew for the applicable Renewal Term unless either party gives the other party written notice of termination no less than ninety (90) days before the end of the Initial Term or the then applicable Renewal Term (such date, the "Renewal Termination Date"); provided that no such renewal shall be effective if an Operator Event of Default is ongoing on either the Renewal Termination Date or the commencement date of any such Renewal Term.

ARTICLE III

APPOINTMENT AND ENGAGEMENT OF OPERATOR

3.1. Subject to the terms of this Agreement, Owner hereby engages Operator as its agent and exclusive operator of the Hotel during the Operating Term and Operator hereby accepts such engagement.

3.2. Subject to (a) Operator being provided with sufficient funds in accordance with the terms of this Agreement and (b) the terms of the then applicable Approved Annual Plan, Operator shall operate the Hotel and all of its facilities and activities (i) in such a manner to meet the Standard at all times throughout the Operating Term and (ii) in compliance in all material respects with the Legal Requirements. Operator shall also operate and manage the Hotel for Owner in a commercially reasonable, business-like, prudent and professional manner.

3.3. Operator acknowledges and agrees that (a) Owner has an office in the Building and intends to oversee actively the operation of the Hotel, (b) if Owner exercises its Owner Parking Facility Rights, the success of the operation of such parking areas by a person or entity other than Operator will be partially dependent upon the operations and success of the Hotel and (c) Owner may engage an asset manager for the purpose of overseeing Operator's management of the Hotel. Operator will consult regularly (at least monthly or as otherwise reasonably requested by Owner) with Owner to provide Owner with a status report of the Hotel operations and discuss any other matters concerning the operation or condition of the Hotel, including, without limitation, any policies or procedures affecting any aspect of the Hotel's (i) physical components, (ii) operations, (iii) financial performance and/or (iv) relative performance in the marketplace. In furtherance of the foregoing, Operator shall, and shall instruct its executive staff, to provide Owner with access to real-time information concerning the Hotel, which shall be in addition to the periodic reports on the operation of the Hotel required elsewhere in this Agreement. Operator shall take into account Owner's recommendations and the impact of decisions made by Operator on the anticipated operating and financial performance of the Hotel. Operator shall in all events consult with Owner before implementing any material changes in policies and procedures relating to the Hotel (and, if another provision of this Agreement requires approval for such changes, obtain Owner's approval). Owner shall consult directly with the Vice President of Operations or such other corporate employee of Operator as Owner may reasonably request, and shall not contact any Hotel Employee, regarding the operations of the Hotel, other than the General Manager, the Director of Sales and Marketing and the Director of Finance. Notwithstanding the foregoing, but subject to Section 3.5, nothing in this Section 3.3 shall negate the authority granted to Operator under this Agreement and all Hotel Employees will be directed by Operator as employer.

3.4. Subject to the terms of this Agreement, Operator shall have control and discretion in all aspects of the operation, direction, management and supervision of the Hotel. Specifically, during the Operating Term, Operator, as agent and for the account of Owner, shall in accordance with and subject to the then applicable Approved Annual Plan and the other applicable provisions of this Agreement (including Section 3.2), and only to the extent Owner has provided sufficient funds therefor, either through Hotel operations or directly from Owner:

A. Determine Hotel policies including but not limited to (i) credit policies (including entering into agreements with credit card organizations), (ii) terms of admittance, (iii) charges for rooms, (iv) food and beverage policies, (v) Employment Policies, and (vi) entertainment policies;

B. Recruit, train, direct, supervise, employ and dismiss the Hotel Employees for the operation of the Hotel, and in connection therewith establish and maintain an affirmative action plan for the Hotel to the extent required for Operator and/or the Hotel to maintain its status as a federal contractor;

C. Develop and implement advertising, marketing, promotion, publicity and similar programs for the Hotel;

D. (i) Negotiate and enter into Leases, collect the rent under such Leases and otherwise administer the Leases and (ii) negotiate and enter into contracts for the provision of services to the Hotel;

E. Upon receipt of all necessary information from Owner, apply for, process and take all necessary steps to procure and keep in effect in Owner's name (or, if required by the licensing authority, in Operator's name or both) all licenses and permits and the sales tax registration(s) required for the operation of the Hotel;

F. Provide purchasing services for routine replacements and renewals of FF&E, Operating Equipment and Operating Supplies necessary for the operation of the Hotel; non-routine purchases of such items may be provided pursuant to a separate written agreement on terms and conditions set forth therein (including a separate fee); provided, however, to the extent that Owner purchases any of the FF&E, Operating Equipment or Operating Supplies used in connection with the operation of the Hotel, Owner will provide to Operator sufficient information for Operator to maintain accurate books and records regarding sales tax accruals and pay such accruals out of Total Revenues from the Hotel, and Owner agrees to fully cooperate with Operator in the event of any related tax audit;

G. Provide routine accounting services as required in the ordinary course of business;

H. Comply with all applicable laws, ordinances, regulations, rulings and orders of governmental authorities affecting or issued in connection with the Hotel, as well as with orders and requirements of any board of fire underwriters or any other body which may exercise similar functions. Owner agrees to promptly deliver to Operator any notice of violation thereof received with respect thereto;

I. Cause all needed ordinary repairs and maintenance to the Hotel in accordance with the Standard, the Franchise Agreement any Mortgage and any applicable Legal Requirements, and supervise such repairs and maintenance;

J. Subject to Section 3.6 below, operate the Hotel in accordance with (i) the Major Agreements, (ii) any agreement related to the operation of the Hotel which was entered into prior to the date hereof provided a copy of such agreement has been delivered to Operator or is then in the actual or construction possession or control of Operator, and (iii) any agreement related to the operation of the Hotel which (y) Operator enters into on behalf of Owner or (z) Owner has entered into at Operator's request; and

K. Provide such other services as are required under the terms of this Agreement or as are customarily performed without additional fee by management companies of similar properties in the area of the Hotel.

3.5. Notwithstanding the foregoing or anything to the contrary in this Agreement and other than as expressly provided in the then applicable Approved Annual Plan, Operator shall not, without Owner's approval:

A. enter into any service or other arrangement (or series of related contracts or arrangements) if (i) the contract or other arrangement would or are reasonably anticipated to, exceed $10,000 in the aggregate, (ii) the term of such contract or arrangement is in excess of one (1) year (and in no event beyond the Initial Term), or (iii) the contract or other arrangement is not terminable by Owner or Operator without payment or penalty upon not less than thirty (30) days notice. Operator shall nevertheless promptly report to Owner the execution of each such contract having a liability to the Hotel in excess of $5,000;

B. enter into any agreement creating a voluntary lien or encumbrance affecting any portion of the Hotel;

C. enter into any Lease or enter into any lease for the use of any item of FF&E or other property;

D. borrow any money, guaranty the debts of any third person or execute any credit documents or incur any obligation in the name of, or on behalf of Owner or the "Hotel", except in the ordinary course of business and consistent with the Approved Annual Plan;

E. incur any liabilities or obligations to third parties which are unrelated to the operation, maintenance and security of the Hotel which create any contractual obligation upon the Owner or the Hotel;

F. settle any (i) condemnation awards with respect any portion of the Hotel regardless of amount or (ii) casualty insurance claims with respect to the Hotel or Owner which involve, or which may be reasonably estimated to involve (x) amounts in excess of $10,000, or (y) any admission of liability on the part of the Hotel or Owner;

G. employ any professional firm out of the ordinary course of business;

H. prosecute or settle any tax claims or appeals;

I. except as approved in advance and in writing by Owner (in the Approved Annual Plan or otherwise), or as expressly permitted in this Agreement (including Article VI), purchase any goods, supplies and services from itself or any Affiliate of Operator, or enter into any other transaction with an Affiliate of Operator;

J. provide complimentary rooms or services to (i) any guests other than in connection with (A) settling guest satisfaction issues provided that in Operator's reasonable and prudent judgment, it is in the best interest of Owner and the Hotel and (B) group sales agreements, provided that (y) in Operator's reasonable and prudent judgment, it is in the best interest of Owner and (z) such complimentary rooms or services are normal and customary practices with respect to group sales agreements in the San Francisco market, taking into account the size of the group, the value of the group sales agreement and the length of stay, and (ii) any other person as expressly provided in, and subject to, the terms of Section 4.3;

K. acquire on behalf of Owner any land or any interest therein;

L. acquire any personal property or capital assets (either by purchase or lease) of or from the Hotel or any interest therein;

M. participate in any condemnation proceeding relating to the Hotel or any portion thereof, provided that Operator may assert a claim and file such necessary documents with respect to the assertion of such claim in any such proceeding, subject to consultation with Owner and further provided that Operator shall not assert any claims or take any substantive or procedural positions adverse to Owner's interests in such proceeding;

N. sell, transfer or otherwise dispose of all or any portion of the Hotel except for dispositions of FF&E to the extent expressly permitted herein or expressly provided for in the then applicable Approved Annual Plan;

O. perform any alterations to the Hotel or any portion thereof except to the extent Operator's performance of any such alternation shall be expressly provided for in the then applicable Approved Annual Plan;

P. institute or defend any legal proceedings with respect to the Hotel; provided that, Operator may, without Owner's consent (i) institute claims for collection of bad debts after reasonably determining that it is in the best interest of Owner and/or the Hotel, (ii) defend employment-related claims (provided that Owner's approval shall be required for settlement of any employment claim requiring payment of Owner's funds or admission of liability on the part of the Hotel or Owner), (iii) defend and/or settle claims involving amounts less than $10,000 and (iv) defend insured claims (provided that Owner's consent shall be required for settlement of any insured claim requiring payment by Owner of more than $5,000 or admission of liability of the Hotel or Owner);

Q. lease or rent any one or more of the Hotel's ballroom, conference room, and banquet room for periods in excess of twenty-one (21) days or the Hotel's bar or restaurant for periods in excess of five (5) consecutive days;

R. take any other action which, under the terms of this Agreement, is prohibited or requires the approval of Owner.

For the purposes of Section 3.5(Q), Operator shall request Owner's approval in writing, which request shall be accompanied by such information as is reasonably necessary to enable Owner to make an informed decision. In the event Owner fails to notify Operator in writing of its approval or disapproval within a twenty-four (24) hour period, such failure shall be conclusively deemed to be Owner's approval of same. For all other purposes of this Section 3.5, Operator shall request Owner's approval in writing, which request shall be accompanied by such information as is reasonably necessary to enable Owner to make an informed decision. In the event Owner fails to notify Operator in writing of its approval or disapproval within five (5) business days, Operator shall deliver to Owner of a second notice following such original five (5) business day period, indicating in ALL CAPITAL TYPE that Owner's failure to deliver its objection as provided in this Section 3.5 in the next five (5) business days shall result in Owner's deemed approval of the item set forth in the request and Owner's failure to respond within said five (5) business day period shall be conclusively deemed to be Owner's approval of same.

3.6. Operator's obligations with respect to any Major Agreement shall be limited to the extent (a) complete and accurate copies thereof, or summaries of the relevant provisions thereof, have been delivered to Operator, or are then in the actual or constructive possession or control of Operator or the Hotel's general manager, and (b) the provisions thereof and/or compliance with such provisions by Operator (i) are applicable to the day to day operation, maintenance and non-capital repair and replacement of the Hotel or any portion thereof (including cash management), (ii) do not require contribution of capital from the Operator, (iii) do not materially increase Operator's obligations hereunder or materially decrease Operator's other rights hereunder, (iv) do not limit or purport to limit any corporate activity or transaction with respect to Operator or its affiliates or any other activity, transfer, transaction, property or other matter involving Operator or its affiliates other than at the site of the Hotel except to the extent set forth in Article XIX of this Agreement or otherwise agreed to by Operator in a subordination agreement and (iv) are otherwise contemplated to be within the scope of Operator's duties under this Agreement. Owner acknowledges and agrees that any failure of Operator or the Hotel to comply with the provisions of any Major Agreement that is a direct result of (A) the condition of the Hotel and/or the failure of the Hotel to comply with the provisions of such Major Agreement, prior to the Takeover Date, (B) construction activities at the Hotel, (C) latent defects in the design and/or construction of the Hotel, (D) written instructions from Owner to operate the Hotel in breach of its obligations under such Major Agreement and/or (E) Owner's failure to approve any matter requested by Operator that is necessary to comply with the applicable Major Agreement, shall not be deemed a breach by Operator of its obligations under this Agreement.

3.7. Operator agrees to pay to Owner a contribution (the “Key Money Contribution”) in the form of a loan in the amount of two million dollars ($2,000,000) within seven (7) days after the Takeover Date. The Key Money Contribution shall be amortized in equal monthly amounts over an eight (8) year period commencing on the second (2nd) anniversary of the Takeover Date. If this Agreement is terminated for any reason prior to the tenth (10th) anniversary of the Takeover Date, then Owner shall pay to Operator, concurrent with the effective date of termination of this Agreement the unamortized portion of the Key Money Contribution (the “Unamortized Key Money”). Repayment of the Unamortized Key Money shall not be considered a waiver by Owner of any right to seek any and all damages against Operator if Owner terminates this Agreement due to an Event of Default by Operator.

3.8. Notwithstanding anything in the foregoing to the contrary, in connection with the Franchise Agreement, Operator (a) shall work closely with Owner and Franchisor to cause Owner and the Hotel to comply with the Franchise Agreement, (b) is authorized to communicate with Franchisor (provided Operator provides Owner with 24 hours’ notice prior to any communication other than day-to-day operational matters) in order that Owner may participate in such communications), purchase supplies and services as may be required by the Franchise Agreement, (c) promptly provide Owner with the results of any reports, inspections, or other matters provided to Operator by Franchisor with regard to the Hotel, and (d) promptly advise Owner of notice of default by Owner or the Hotel received from Franchisor.

3.9. Operator agrees to perform the following obligations in all material respects in connection with the transition of operation of the Hotel that will occur on the Takeover Date:

A. Operator shall honor any reservations for Hotel guest rooms and other Hotel facilities on or after the Takeover Date which have been made by guests or customers before the Takeover Date with the current operator of the Hotel or Owner. Owner shall cause to be transferred to Operator any guest and customer deposits held by the current operator of the Hotel with respect to those reservations;

B. Operator shall assume responsibility for guest tray ledger transferred by the current operator of the Hotel and the care and protection of the contents of safe deposit boxes and any luggage, parcels, packages, faxes, messenger and overnight courier packages and mail of guests held by the current Hotel operator or Owner on the Takeover Date;

C. Operator shall accept as agent for Owner and perform the obligations being assumed by Owner from and after the Takeover Date under space leases, concession and license agreements, equipment leases and service contracts of the current Hotel operator or lessee;

D. Operator shall assist Owner with the transfer of existing permits, to the extent transferable, and in applying for and obtaining all other necessary permits for the lawful operation of the Hotel from and after the Takeover Date;

E. If requested by Owner, Operator shall acquire from the existing hotel operator, Owner or their Affiliates and lawfully transfer into its name or one of its Affiliates acceptable to Owner the liquor license for the sale of alcoholic beverages at the Hotel and the liquor inventory of the Hotel; and

F. Operator shall otherwise assist and cooperate with Owner in the orderly and smooth transition of operation of the Hotel from the current operator to Operator on the Takeover Date.

ARTICLE IV

HOTEL EMPLOYEES

4.1.

A. All Hotel Employees shall be employees of Operator. Operator shall comply with all applicable Legal Requirements, Union Agreements, including, without limitation, worker's compensation, social security, unemployment insurance, hours or labor, wages, working conditions, and other employer-employee related subjects respecting the Hotel Employees. To the extent possible, Operator shall use local labor in the operation of the Hotel. Notwithstanding anything to the contrary herein, upon commencement of management of the Hotel, Operator agrees to offer employment to a sufficient number of former employees of the Hotel who desire employment by Operator on sufficient terms and conditions to avoid the notification requirements of the WARN Act and similar state law requirements. The Operator may not knowingly hire any individuals for employment at the Hotel who are related to the officers, directors or shareholders of Operator without Owner's prior approval. Operator shall use its reasonable efforts to design, promote and implement employment practices which emphasize the continuity of management (including but not limited to the executive staff), minimize training and moving costs and reduce personnel turnover and shall consider the objective of minimizing Operating Expenses when making staffing, employee transfer and staff reduction decisions.

B. Owner shall have the right to consult with Operator with respect to the hiring, initially and with respect to any replacement of, the Hotel's General Manager, Director of Sales and Marketing, Director of Finance, Director of Human Resources, Director of Food and Beverage, Director of Catering, Chief Engineer and Executive Chef (the "Core Executive Staff"). Owner shall have the right to approve, which approval shall not be unreasonably withheld, delayed or conditioned, the hiring or replacement of the Core Executive Staff within five (5) business days after written request from Operator, which request shall be accompanied by such information as is reasonably necessary to enable Owner to make an informed decision. In the event Owner fails to notify Operator in writing of its approval or disapproval within such five (5) business day period, Operator shall deliver to Owner of a second notice following such original five (5) business day period, indicating in ALL CAPITAL TYPE that Owner's failure to deliver its objection as provided in this Section 4.1 in the next five (5) business days shall result in Owner's deemed approval of the item set forth in the request and Owner's failure to respond within said five (5) business day period shall be conclusively deemed to be Owner's approval of same. All compensation (including, without limitation, all wages, costs of payroll and similar taxes, employee benefits, relocation expenses, fringe benefits, bonuses and severance payments) of the Hotel Employees ("Employee Expenses") shall be an Operating Expense and shall be borne by Owner and paid or reimbursed to Operator out of the Agency Account or if the amounts therein are insufficient by Owner upon demand therefor by Operator. Owner acknowledges and agrees that Operator shall have the right to institute compensation, employee benefit, severance payment and bonus policies and programs for the Hotel Employees so long as such policies are reasonable and customary in the industry for similar positions in comparable hotels, provided, Owner shall have the right to approve such policies and programs in the aggregate within each Approved Annual Plan. The aggregate amount of Employee Expenses, including, without limitation, Employee Expenses for Core Executive Staff and department heads, shall be subject to Owner's approval as part of the Proposed Annual Plan review and approval process, or otherwise approved by Owner. If this Agreement is terminated in the middle of any Fiscal Year, Owner shall pay a pro-rata portion of any Hotel Employee's bonus that accrued during the Operating Term. Notwithstanding anything here in the contrary, the parties hereby agree that Owner's liability to pay for (or reimburse Operator for) any severance obligations relating to any member of the Core Executive Staff shall be limited to an amount equal to the ratio, expressed as a percentage, of (a) such person's tenure as a member of the Core Executive Staff at the Hotel to (b) such person tenure as an employee of Operator and its Affiliates.

4.2. Operator shall comply with all applicable laws with respect to pension, medical, health, life insurance, retirement, welfare and similar employee benefits in the name of Operator, and may, enroll the Hotel Employees in additional retirement, health and welfare employee benefit plans substantially similar to corresponding plans implemented in other hotels with similar service levels managed by Operator and in accordance with industry standards. Such plans may be, at Operator's option, joint plans for the benefit of employees at more than one hospitality property owned, leased or managed by Operator or its Affiliates, subject to the provisions of applicable laws. Employer contributions to such plans (including any withdrawal liability incurred upon termination of this Agreement) and reasonable administrative fees which Operator may expend in connection therewith shall be the responsibility of Owner and shall be an Operating Expense; provided that, other than withdrawal liability, such employer contributions shall be subject to the then-applicable Annual Plan. Operator agrees to request an annual estimate of withdrawal liability from any applicable Union. The administrative expenses of any joint plans will be equitably apportioned by Operator among properties covered by such plan, based on the Hotel's payroll expense as it relates to the total expense of such joint plan. Operator shall not recognize any labor union for purposes of representing Hotel Employees, except (i) any currently recognized by the employer prior to the Takeover Date and (ii) pursuant to a lawful final order of the National Labor Relations Board. Operator shall negotiate for the mutual best interests of Owner and Operator with any labor unions representing Hotel Employees, but any collective bargaining agreement or labor contract resulting therefrom will be executed by Operator as the employer with the prior approval of Owner, which approval shall not be unreasonably withheld or delayed. It is understood that, with respect to any labor negotiations applicable to the Hotel, Operator shall consult with Owner in advance of, and during the course of, negotiations with any labor union. Operator shall receive input from Owner in connection with the negotiation of collective bargaining agreements and Operator shall reflect such input in such negotiations. Operator agrees that, with respect to any collective bargaining agreement negotiations, Operator will review with Owner all economic terms of any collective bargaining agreement proposal before making or agreeing to such proposed economic terms. Operator shall not enter into any multiemployer bargaining arrangement applicable to the Hotel and other hotel properties not owned or managed by Operator without Owner's prior written approval, which approval shall not be unreasonably withheld or delayed. If a collective bargaining agreement is in place for the Hotel Employees immediately prior to the termination of this Agreement, Operator may request that Owner, in connection with such termination, seek an assessment regarding the amount of withdrawal liability incurred under any related benefit plan, if any. At Operator's option, Owner shall post a bond or establish an escrow account to cover the costs of such withdrawal liability relating to the termination of this Agreement. Owner hereby acknowledges and agrees that (a) any employee benefit plan withdrawal liability and (b) compliance with the provisions of the WARN Act upon any disposition of the Hotel, upon any termination of this Agreement or upon the occurrence of any other event giving rise to the application of the WARN Act are the responsibility and obligation of Owner, and Owner shall use commercially reasonably efforts to (i) cause the succeeding employer to hire a sufficient number of employees at the Hotel to avoid the occurrence of a "closing" under the WARN Act or (ii) provide Operator with sufficient notice of termination to allow Operator to comply with the WARN Act and avoid any liability thereunder, and Owner hereby agrees to indemnify, defend and hold Operator harmless in connection with any employee benefit plan withdrawal liability or any breach or claimed breach of the WARN Act in connection with any such disposition, termination or other occurrence, to the extent set forth in Section 22.2.

4.3. Operator, in its reasonable discretion, but always in accordance with the system-wide policies and procedures of Operator (which shall limit accommodations to space projected to be available and not reserved or occupied by members of the public), may, as an Operating Expense of the Hotel, (a) provide lodging for Operator's executive employees visiting the Hotel in connection with the performance of Operator's services and allow them the use of Hotel facilities and (b) provide the General Manager of the Hotel and other Core Executive Staff temporary living quarters within the Hotel and the use of all Hotel facilities for up to thirty (30) days, in either case without charge, as the case may be, subject to the Approved Annual Plan.

4.4. Operator shall not be liable for any failure of the Hotel to comply prior to the Commencement Date with any Employment Laws.

4.5. Operator shall make available from time to time, and for the period of time reasonably required, its Senior Vice President of Operations for the purpose of providing services in connection with the operation or control of the Hotel, including, without limitation, for the purpose of improving the operations of the Hotel or supervising the operation of the Hotel to ensure that the Standard is achieved and maintained.

4.6. Operator may, in its discretion, transfer one or more employees of Operator (or any of its Affiliates) to perform operational services at the Hotel on a temporary basis whenever it determines that circumstances have made it impractical for Operator to hire a qualified permanent employee, in which event such employee of Operator (or its Affiliate) shall be provided with room and food at the Hotel free or charge for a reasonable temporary period.

ARTICLE V

AGENCY; PROVISION OF FUNDS

5.1. In the performance of its duties as Operator of the Hotel, Operator shall act solely as agent of, and for the account of, Owner. Nothing in this Agreement shall constitute or be construed to be or create a partnership or joint venture between Owner and Operator. Except as otherwise provided in this Agreement, (a) all debts and liabilities to third persons incurred by Operator in the course of its operation and management of the Hotel in accordance with the provisions of this Agreement shall be the debts and liabilities of Owner only and (b) Operator shall not be liable for any such obligations by reason of its management, supervision, direction and operation of the Hotel as agent for Owner. Operator may so inform third parties with whom it deals on behalf of Owner and may take any other reasonable steps to carry out the intent of this paragraph.

5.2. Operator shall in no event be required (a) to advance any of its funds (whether by waiver or deferral of its management fees or otherwise) for the operation of the Hotel or (b) to incur any liability unless Owner shall have furnished Operator with funds necessary for the discharge thereof prior to incurring such liability. Operator shall not be deemed to be in default of its obligations under this Agreement to the extent it is unable to perform any obligation due to the lack of available funds from the operation of the Hotel or as otherwise provided by Owner.

ARTICLE VI

CENTRALIZED SERVICES; INFORMATION TECHNOLOGY

6.1. Operator may, subject to the then applicable Approved Annual Plan, provide or cause its Affiliated companies to provide for the Hotel and its guests the Centralized Services. The current list of Centralized Services offered by Operator is attached to this Agreement as Exhibit A (other than the Centralized Accounting Services, which are as separately defined in this Agreement), and will be modified on an annual basis in connection with the review and approval of the Approved Annual Plan. Subject to the provisions of the applicable Approved Annual Plan, Operator or such of Operator's Affiliated companies as provide Centralized Services shall be entitled to be reimbursed for the Hotel's share of the total costs that are reasonably incurred in providing such Centralized Services on a system-wide basis to hotels and motels managed by Operator or its Affiliates which costs may include, without limitation, salaries (including payroll taxes and employee benefits) of employees of Operator and its Affiliates, costs of all equipment employed in the provision of such services and a reasonable charge for overhead. The Hotel's share of such costs shall be determined in an equitable manner by Operator (which shall be reasonably satisfactory to Owner) and substantiated to Owner after each Fiscal Year, shall be an Operating Expense of the Hotel and shall be paid or reimbursed to Operator out of the Agency Account, or if the amounts therein are insufficient such costs shall be borne and paid by Owner in accordance with Section 7.1. Operator shall maintain and make available to Owner invoices or other evidence supporting all of the charges for Centralized Services. Notwithstanding the foregoing, Operator's fee for providing Centralized Accounting Services shall be the Centralized Accounting Services Fee. Owner acknowledges and agrees that (a) Operator has disclosed to Owner the types of Centralized Services Operator currently makes available to properties which it operates, including those that require mandatory participation by the Hotel, (b) the Hotel is likely to receive substantial benefit from its participation in such Centralized Services, (c) Operator is not obligated to provide such Centralized Services under Article III of this Agreement, but will offer such Centralized Services to the Hotel so long as Operator continues to offer them to other similar hotels operated by Operator or its Affiliates, and (d) the receipt by Operator of the Centralized Accounting Services Fee does not breach any fiduciary or other duty which Operator may have to Owner.

6.2. Operator shall arrange for the procurement, as an Operating Expense, of all operating supplies, inventory, and/or services necessary for the normal and ordinary course of operation of the Hotel. Owner acknowledges and agrees that Operator, subject to the Major Agreements and the Approved Annual Plan, may enter into certain Multi-Property Programs pursuant to which Operator or affiliates of Operator may receive rebates or other volume- based incentive compensation from participating vendors or suppliers of goods or services under such Multi-Property Programs ("Operator Rebates"). Owner acknowledges and agrees that (i) Operator has disclosed to Owner the types of Multi-Property Programs Operator currently makes available to properties which it operates and (ii) the Hotel is likely to receive a benefit from its participation in such Multi-Property Programs, which the Hotel could not obtain on its own. The receipt by Operator of any Operator Rebates does not breach any fiduciary or other duty which Operator may have to Owner. Owner may opt-in or-out of the Multi-Property Programs during the Annual Plan approval process each year.

6.3. Operator may, subject to the then applicable Approved Annual Plan, provide certain information technology services, including, but not limited to: (a) de-centralized accounting support services, (b) Operator's IT Central Support Services (support desk and e-mail services), (c) Operator's IT Delphi System Support (centralized sales and catering software application), (d) use of certain Microsoft software applications at the Hotel, and (e) Virtual Private Network Connectivity and Support (connection to Operator's software applications via secure internet connection) (the "IT Services"). For purposes of the Virtual Private Network, Operator may install hardware at the Hotel, which hardware shall be Owner's property (installation in connection with Operator's initial takeover of management of the Hotel shall be at no cost to Owner pursuant to Section 9.8; installations after 2017 shall be as provided in the Approved Annual Plan). In addition, Operator shall make all necessary business process changes from time to time, including, without limitation, necessary changes to information technology equipment and software to (i) comply with the operating standards required by the Major Agreements, (ii) make reasonable adaptations to changing technology, (iii) be otherwise consistent with the Standard, and (iv) achieve and sustain compliance on an on-going basis with the then current Payment Card Industry Data Security Standards and other applicable information security and operating rules and regulations of the credit card associations, and applicable data protection and privacy laws and regulations. A list of the IT Services (and the current estimated costs therefor) is included in Exhibit A, subject to change in connection with the then applicable Approved Annual Plan review and approval process for each Fiscal Year.

6.4. To the extent requested by Owner, Operator may provide project management services in connection with the procurement and installation of information technology for the Hotel during the Operating Term on terms and conditions (including separate fees for such services) mutually agreed upon by Owner and Operator.

ARTICLE VII

WORKING CAPITAL AND BANK ACCOUNTS

7.1. Commencing immediately prior to the Takeover Date, Owner will provide Operator with the Minimum Working Capital for the Hotel. Owner shall at all times provide, either from Total Revenues or from other funds of Owner, sufficient funds as reasonably determined by Operator to constitute normal working capital for the uninterrupted and efficient operation of the Hotel (but which, in no event, shall be an amount less than the Minimum Working Capital), in accordance with this Agreement, and to maintain the Standard as required herein (but without negating Operator's obligation to obtain Owner's consent to exceed budget amounts if required under Section 8.6). Operator agrees that in determining the required working capital, Operator shall take into account the anticipated Operating Expenses and anticipated Total Revenues of the Hotel for the applicable rolling thirty (30) day period. In furtherance thereof, Operator shall provide to Owner monthly cash flow forecasts covering the next ninety (90) days of the Hotel's financial needs as part of Operator's Monthly Cash Flow Forecast. Operator shall manage accounts receivable and inventories as would a prudent operator of a hotel similar to the Hotel and consistent with its operation of its other hotels.

Within fourteen (14) days following Operator's notice to Owner that additional funds are required to pay payroll expenses and other necessary Operating Expenses, Owner shall provide such funds necessary to pay such Operating Expenses. Any such failure to provide such funding within the required time period shall constitute a breach under Section 17.1(A) of this Agreement. Operator may, but shall not be required to, fund such expenses, and in such event, Operator may, in addition to all other rights, repay itself as soon as any funds are available.

7.2. All funds received by Operator in the operation of the Hotel, including working capital furnished by Owner, shall be deposited in an Agency Account in such federally insured financial institution as may be selected by Operator and reasonably approved by Owner and approved by any Mortgagee. Such funds shall not be commingled with Operator's other funds. To the extent funds are currently available in the Agency Account, Operator shall pay all Operating Expenses and Fixed Charges on behalf of Owner from the Agency Account. Upon Owner's written request and direction, Operator shall pay on behalf of Owner from the Agency Account (but only to the extent that such funds are available in the Agency Account following the payment of all Operating Expenses and Fixed Charges), such other Owner Expenses as may be requested by Owner; provided, however, Operator will not be required to pay such Owner Expenses until Operator receives Owner's Expense Notice. Owner agrees to provide Owner's Expense Notice at least thirty (30) days prior to the date on which the first payment by Operator is due, and such Owner's Expense Notice shall only be revocable upon thirty (30) days prior written notice from Owner.

7.3. In addition to the Agency Account established pursuant to Section 7.2, the FF&E Reserve Account shall be established at the same institution for a reserve for replacements, substitutions and additions to the FF&E. Such funds shall not be commingled with Operator's other funds.

7.4. The Agency Account and the FF&E Reserve Account, shall be opened and maintained at all times in the name of Operator as agent for Owner doing business as the "Hilton San Francisco Financial District" and shall be under the control of Operator. Notwithstanding the foregoing, checks or other documents of withdrawal may be signed only by authorized representatives of Operator, provided that such representatives shall be bonded or otherwise insured in a manner reasonably satisfactory to Owner. Owner shall have read-only access to the Agency Account and FF&E Reserve Account. The premiums for bonding or other insurance shall be an Operating Expense except for premiums for bonding off-site executive employees of Operator. Operator shall prepare all bank reconciliations and do all necessary accounting with respect to the Agency Account and the FF&E Reserve Account. Owner may review such bank reconciliations in detail at any time.

7.5. The provisions of this Article VII and any other provisions of this Agreement regarding cash management or the handling of Hotel funds (including any reserves) are subject to, and Operator shall comply with, any requirements regarding cash management and handling of all or any portion of Total Revenues and other Hotel funds including with respect to any reserves and any lock box or similar arrangements, of any Mortgagee, and within ten (10) days after being requested in writing to do so, Operator will join in any commercially reasonable agreement, acknowledgement or consent with respect thereto required by any Mortgagee. Nothing in this Section 7.5 shall negate or reduce Owner's obligations to provide sufficient funds for operation in accordance with the other provisions of this Agreement.

ARTICLE VIII

BOOKS, RECORDS AND STATEMENTS; ANNUAL PLAN

8.1. Operator shall keep full and accurate books of account and other records reflecting all transactions of the Hotel and the results of the operation of the Hotel in accordance with GAAP and the Uniform System with such exceptions as may be required by the provisions of this Agreement; provided, however, that Operator may, with prior written notice to Owner, make such modifications to the methodology in the Uniform System as are consistent with Operator's standard practice in accounting for its operations under management contracts generally, so long as such modifications (a) do not affect the determination of the Basic Fee, the Incentive Fee, Total Revenues, Operating Expenses or Fixed Charges, (b) are consistent with good hotel accounting practices and the requirements of this Agreement, and (c) do not impair Owner's ability to comply with any requirement of any laws applicable to Owner and/or the Hotel. All financial books and records for the Hotel, including, without limitation, all books of account, invoices, financial reports and analyses, financial statements and bank account statements, shall be uploaded to an appropriate remote electronic storage system utilized by Operator's accounting department (the "Electronic Storage System"). Operator shall provide Owner with the necessary information for Owner to create and establish its own user name and password for the Electronic Storage System in order to allow Owner to have remote read-only access to all data on the Electronic Storage System without interruption on a 24-hour basis throughout the Operating Term. In addition, Operator shall prepare and provide to Owner a daily cash management excel spreadsheet in substantially the form attached hereto as Exhibit C, subject to updates to the form as reasonably requested by Owner from time to time. Notwithstanding the foregoing, all physical books and records (including those which may be kept in Operator's home office or other suitable location pursuant to the adoption of a central billing system or other centralized service, but excluding employment records other than employee census information), shall be available to Owner and its representatives during normal business hours and at all other reasonable times, upon reasonable prior notice by Owner and its agents, for examination, audit, inspection and transcription. Promptly upon Owner's written request, Operator shall deliver a copy of such books and records to Owner. All books and records including, without limitation, books of account, guest records and front office records (but excluding any employment records other than employee census information), shall be the property of Owner and shall not be removed from the Hotel without Owner's prior written approval, except that (i) such books and records shall be uploaded to the Electronic Storage System and (ii) Operator shall have the right to make copies of such records and have access to the records after termination of this Agreement. Operator shall be prohibited from using any of the guest records for the Hotel in the management, operation, advertising, marketing or promotion of any other hotel, condominium, condo-hotel, timeshare, resort property or other transient hospitality product, provided that Operator may use guest records in connection with its national group sales program and in accordance with the programs available pursuant to the Franchise Agreement.

8.2.

A. Operator shall deliver to Owner in electronic format weekly “flash” reports.

B. Operator shall deliver to Owner in electronic format within fifteen (15) days after the end of each month, the Monthly Reports covering operations for the prior month and the year-to-date through the prior month. On or before two (2) business days after the delivery of any internal financial and operation reports concerning the Hotel, including, without limitation, month end “flash” reports, Operator shall deliver to Owner a copy of the report.

C. Within twenty (20) days after the end of each calendar quarter, Operator shall deliver to Owner unaudited financial statements and reports for such quarter (the “Quarterly Operating Statements”), providing the same information as contained in the Monthly Reports, but adjusted to reflect the applicable portion of the Fiscal Year.

D. Within fifteen (15) days after the end of each Fiscal Year, Operator shall deliver to Owner an unaudited annual accounting (the “Annual Operating Statement”). The Annual Operating Statement shall provide the same information as contained in the Monthly Reports, but adjusted to reflect the entire Fiscal Year and shall show the results of operations of the Hotel during the Fiscal Year and a computation of Total Revenues, Operating Expenses, and Distributable Cash, if any, and any other information necessary to make the computations required hereby or which may be reasonably requested by Owner, all for such Fiscal Year. Subject to the reconciliation set forth in Section 8.3 below, the Annual Operating Statement for any Fiscal Year shall be controlling over the interim accountings for such year.

E. The Monthly Reports, the Quarterly Operating Statements and the Annual Operating Statement shall each be prepared in accordance with the Uniform System and/or GAAP unless otherwise set forth in this Agreement. Any financial statements included in the Monthly Reports, the Quarterly Operating Statements or the Annual Operating Statement must be accompanied by a certificate of Operator's designated accounting officer certifying that such statements were prepared under such officer's supervision and that such statements were true and correct as of the date prepared.

8.3. Operator shall provide reasonable assistance to an accounting firm selected by Owner in order to permit such accounting firm to deliver to Owner annual audited financial statements of Owner for the immediately preceding Fiscal Year. At Owner's request and for an additional fee, Operator shall provide the SAS-70 (SSAE- SOC 16) audit to Owner. The fee to Owner shall be determined by allocating pro-rata the total fee incurred by Operator for such audit among the owners of all hotels operated by Operator or its Affiliates that request such audit. If any audit discloses any discrepancies from the Annual Operating Statement, Owner shall notify Operator thereon within sixty (60) days after delivery of the audited Annual Operating Statement. Except for any such discrepancies of which Owner notifies Operator based upon the audit on or before expiration of the sixty (60) day period after delivery of the audited Annual Operating Statement, at the end of such sixty (60) day period, the Annual Operating Statement shall be deemed to be final and binding upon the parties absent any intentional misrepresentation or concealment of information with respect to the operation of the Hotel by Operator. Any adjustments to the Basic Fee or Incentive Fee or any other amounts paid under this Agreement required because of the results of such audit shall be made by the parties within ten (10) business days of Operator's receipt of written notice from Owner regarding any discrepancies disclosed by the audit. The cost of any audit of the Annual Operating Statement shall be an Operating Expense. For the avoidance of doubt, when determining whether there has been an overpayment of the Basic Fee and/or the Incentive Fee and/or any other amounts paid under this Agreement for any Fiscal Year, such determination shall be based on such fees that have been paid for such Fiscal Year and the calculation by Operator of those fees to be paid by Owner pursuant to the Annual Operating Statement for such Fiscal Year.

8.4. With respect to the first (1^{st}) Fiscal Year, the Approved Annual Plan shall be the pro forma Approved Annual Plan attached hereto as Exhibit B. With respect to each other Fiscal Year, on or before each November 15 during the Operating Term, Operator shall submit to Owner for Owner's approval, a proposed Annual Plan for the Hotel (the "Proposed Annual Plan"), which shall include for the ensuing Fiscal Year, the following proposed budgets and programs:

A. A proposed operating budget (the "Proposed Operating Budget") on a monthly and yearly basis with detailed departmental schedules for each line item and the assumptions underlying the same, including, without limitation: (a) projected occupancy and average room rates by month broken down by room segment; (b) projected Total Revenues; (c) proposed Hotel room rates and charges for other services; (d) projected Operating Expenses of the Hotel; (e) proposed staff scheduling and compensation (including, without limitation, any bonuses or other incentive compensation for Hotel Employees); (f) a narrative comparison of budgeted revenue and expense levels to the previous Fiscal Year's estimated and accrual results, highlighting material changes for the upcoming Fiscal Year, (g) anticipated depreciation and amortization of fixed assets at the Hotel; (h) annual debt service with respect to the Hotel; (i) projected contributions by, and distributions to, Owner as a result of Hotel operations; (j) an estimate of working capital balance required to be maintained, as of the end of each month; (k) projected amount of reductions for accounts receivable; and (l) all other items reasonably requested by Owner in order to provide the projected cash flow for the Hotel during such upcoming calendar year;

B. A proposed capital budget ("Proposed Capital Budget") setting forth Operator's estimate of the capital expenditures to be made respecting the Hotel for both of the following:

(I) major repairs, alternations, improvements, renewals and replacements (which repairs, alterations, improvements and renewals are not routine maintenance, repairs and alterations referred to in Section 8.4(C)) to the structural, mechanical, electrical, heating, ventilating, air conditioning, plumbing and vertical transportation elements of the Hotel building ("Major Capital Expenditures"); and

(II) non-routine repairs and maintenance to the Building which are normally capitalized under GAAP, such as exterior and interior repainting, resurfacing building walls, floors, roofs and parking areas, and replacing folding walls and the like, but which are not Major Capital Expenditures.

C. A proposed budget (the "Proposed FF&E Budget") setting forth Operator's estimate of the FF&E expenditures to be made and the sources of funds for the replacements and renewals to the Hotel's FF&E.

D. A market overview of local competitive properties of the Hotel including narrative descriptions of (i) local competitive properties of the Hotel (including the Competitive Set) including narrative descriptions and allocable costs of (x) such hotel's national or regional or business segment marketing plans, (y) local marketing, and (z) sales initiatives, (ii) the Hotel's target market and the Hotel's relative position in such market, and (iii) the proposed room rate structures and occupancy for the target market.

E. A marketing plan for the Hotel including narrative descriptions and allocable costs of (i) Operator's national or regional or business segment marketing plans, (ii) local Hotel marketing, and (iii) intended sales initiatives.

F. A staffing plan describing the general staffing needs for the operation and management of the Hotel.

The budget components of the Proposed Annual Plan shall be prepared in accordance with the Uniform System to the extent applicable and shall otherwise be prepared in accordance with Operator's standard financial reporting and budgeting practices. Owner shall make the final determination respecting the approval of the Proposed Annual Plan. Owner shall notify Operator in writing of its approval or disapproval of the Proposed Annual Plan not later than thirty (30) days after Owner's receipt of the Proposed Annual Plan and, if Owner disapproves of the Proposed Annual Plan, Owner shall state in such notice the reasons therefor with reasonable particularity. In the event Owner fails to notify Operator in writing of its approval or disapproval of the Proposed Annual Budget within five (5) days of Operator's delivery to Owner of a second notice following such thirty (30) day period, indicating in ALL CAPITAL TYPE that Owner's failure to deliver its objection(s) to the Proposed Annual Plan as provided in this Section 8.4 in the next five (5) days shall result in the Proposed Annual Plan becoming the Approved Annual Plan for the Fiscal Year to which it relates, then such Proposed Annual Plan shall be deemed approved by Owner and shall be deemed the Approved Annual Plan for the Fiscal Year to which it relates.

If any item or items contained in the Proposed Annual Plan are disapproved by Owner in writing, Operator shall submit to Owner a new Proposed Annual Plan or appropriate portion thereof within fifteen (15) days following Operator's receipt of Owner's written notice of disapproval. If any item contained in the revised Proposed Annual Plan is then disapproved by Owner in writing within fifteen (15) days thereafter, Operator shall submit to Owner a further revised Proposed Annual Plan or appropriate portion thereof within fifteen (15) days following Operator's receipt of Owner's written notice of disapproval of the revised Proposed Annual Plan.

8.5. In the event Operator and Owner are unable to agree on the Proposed Annual Plan (including all revised versions thereof) prior to January 31st of the Fiscal Year to which such Proposed Annual Plan relates, the dispute shall be resolved by an independent internationally recognized hotel consultant, selected and retained jointly by Owner and Operator, which consultant (a) shall have not fewer than ten (10) years of experience in the hotel business; (b) shall not be an Affiliate or a person who has any past, present, or currently contemplated future business or personal relationship with either Owner or Operator; and (c) whose compensation is not fixed based upon the results of the issue at dispute (the "Industry Expert"). Until the Proposed Annual Plan is approved in writing by Owner, Operator shall (i) operate the Hotel in accordance with those items of the Proposed Annual Plan which are not in dispute, and (ii) with regard to such items that are in dispute, Operator shall operate the Hotel consistent with the most recent Approved Annual Plan until such dispute is resolved, except for, or as modified by, (x) an adjustment to the disputed items so as to increase (but not decrease) disputed expense items by the same percentage as any percentage increase in the CPI, from the CPI in effect on the first day of the first month of the Fiscal Year applicable to such last Approved Annual Plan to the CPI in effect on the first day of the first month of the Fiscal Year applicable to the disputed Proposed Annual Plan, (y) Necessary Expenses which shall be paid as required, and (z) Emergency Expenses which shall be paid as required. Upon the Owner's approval of the Proposed Annual Plan or the resolution of any dispute in connection therewith, the Proposed Annual Plan shall be deemed to be the "Approved Annual Plan", the Proposed Operating Budget shall be deemed to be the "Operating Budget", the Proposed Capital Budget shall be deemed to be the "Capital Budget", and the Proposed FF&E Budget shall be deemed to be the "FF&E Budget".

8.6. Upon approval of the Proposed Annual Plan by Owner, Operator shall use diligent and commercially reasonable efforts to operate the Hotel substantially in accordance with the Approved Annual Plan. Operator shall not, without Owner's prior written approval, which approval may be withheld in Owner's sole and absolute discretion, materially deviate from the then applicable Approved Annual Plan or:

A. Incur any expense for any line-item in the Operating Budget which causes (i) the aggregate expenditures for such line item to exceed the budgeted amount by the greater of (x) 10% or (y) $10,000 or (ii) the Operating Budget to be exceeded by more than 10% in the aggregate, in each case for the applicable fiscal period set forth in the Operating Budget, provided that Operator may at Owner's cost and expense, without Owner's approval pay any (1) Necessary Expenses, and/or (2) Emergency Expenses.

B. Incur any expense for any line-item in the Capital Budget which causes (i) the aggregate expenditures for such departmental category to exceed the budgeted amount by the greater of (x) 10% or (y) $10,000 or (ii) the Capital Budget to be exceeded by more than 5% in the aggregate, in each case for the applicable fiscal period set forth in the Capital Budget, provided that Operator may, without Owner's approval, pay any Emergency Expenses which are capital in nature up to a cap of $50,000 in any Fiscal Year.

8.7. Subject to Operator's obligation to operate the Hotel in Owner's best interest, if Operating Expenses increase as a result of (a) occupancy (based on guests paying the then market room rates), or (b) the volume of the overall business of the Hotel ("Business Opportunities") that were not contemplated in the Approved Annual Plan, permitted Operating Expenses shall be equitably adjusted upward to reflect the increased Operating Expenses for the period of time that the Business Opportunities exist ("Opportunity Costs"). Any dispute with respect to the Business Opportunities or Opportunity Costs shall be resolved by an Industry Expert.

8.8. In entering into this Agreement, each of Operator and Owner acknowledges that neither Operator nor Owner has made any representation to the other regarding projected earnings, the possibility of future success or any other similar matter respecting the Hotel, and that Operator and Owner understand that no guarantee is made to the other as to any specific amount of income to be received by Operator or Owner or as to the future financial success of the Hotel. Operator is not warranting or guaranteeing in any respect that the actual operating results of the Hotel during the period covered by the then applicable Approved Annual Plan will not materially vary from the then applicable Approved Annual Plan.

8.8. Any reference to compliance with the Approved Annual Plan or subject to the Approved Annual Plan or similar phrases in this Agreement shall include all variances to the Annual Plan expressly permitted pursuant to the terms of Section 8.6.

ARTICLE IX

MANAGEMENT FEES
AND PAYMENTS TO OPERATOR AND OWNER

9.1. Owner shall pay to Operator, on a monthly basis, a Basic Fee equal to one and seven-tenths percent (1.70%) of Total Revenues for services rendered under this Agreement commencing on the Takeover Date and continuing through the remainder of the Operating Term.

9.2. In addition to the Basic Fee, Owner shall pay to Operator, on a monthly basis, a fee equal to two thousand five hundred ($2,500) per month (the "Centralized Accounting Services Fee"), or a pro-rata percentage for any partial month, commencing on the Takeover Date and continuing through the remainder of the Operating Term and for three (3) months after the termination of this Agreement. The Centralized Accounting Services Fee shall be increased (but not decreased) annually on the first day of each succeeding Fiscal Year by the same percentage as any percentage increase in the CPI from the first day of the prior Fiscal Year through the first day of such succeeding Fiscal Year.

9.3. Beginning on the first (1st) anniversary of the Takeover Date (i.e., beginning on the commencement of the second Fiscal Year) and in addition to the Basic Fee and the Centralized Accounting Services Fee, Operator shall be entitled to an Incentive Fee for each Fiscal Year (or any partial Fiscal Year at the beginning or at the end of the Operating Term) equal to ten percent (10%) of the amount by which Gross Operating Profit in the current Fiscal Year (or the pro-rated portion thereof) exceeds the previous Fiscal Year's Gross Operating Profit or the pro-rated portion thereof). The Incentive Fee will be due and payable to Operator on an annual basis within thirty (30) days following Owner's receipt, review and approval of the Annual Operating Statement for the applicable Fiscal Year in accordance with Sections 8.2 and 8.3.

9.4. In each month during the Operating Term, Operator shall be paid out of the Agency Account the following payments for the preceding month: (a) the Basic Fee, (b) the Centralized Accounting Services Fee, (c) any expenses for Centralized Services, and (d) any expense reimbursements due to Operator, as determined from the monthly income and expense statement, which expense reimbursement for avoidance of doubt shall not include Operator's Expenses. Such payment shall, be due and made upon delivery of the income and expense statement for such month and shall be deducted by Operator out of the Agency Account.

9.5. On or before the twentieth (20th) day following the last day of each calendar quarter (or such other fiscal period as Owner and Operator may determine) of each Fiscal Year during the Operating Term, after (a) payment of Operating Expenses, Fixed Charges and, to the extent the same are to be paid by Operator under this Agreement, Owner Expenses, (b) deposits to the FF&E Reserve Account in accordance with the FF&E Budget, (c) any required payment to Operator pursuant to Section 9.6 below and (d) retention of working capital sufficient in the reasonable opinion of Operator to assure the uninterrupted and efficient operation of the Hotel as required under Section 7.1 above, all remaining funds in the Agency Account shall be paid to Owner (such funds, "Distributable Cash").

9.6. At the end of each Fiscal Year and following receipt and approval by Owner of the Annual Operating Statement, an adjustment to the Basic Fee and Incentive Fee will be made, if necessary in accordance with Section 8.3 above.

9.7. Owner shall be liable for and shall pay Operator for any applicable sales, use, excise consumption or similar taxes that are payable to any taxing jurisdiction with respect to any fees, reimbursements or other amounts due to Operator under this Agreement to ensure that the net amount of such fees, reimbursements or other amounts received by Operator shall be equal to the full amount that Operator would have otherwise received if no such taxes applied to such amounts. This Section 9.7 does not apply to federal or state income taxes payable by Operator as a result of its gross or net income relating to any fees collected under this Agreement.

9.8. Operator shall not charge a fee to or require reimbursement of any expense from Owner relating to standard Operator transition or start-up expenses (including costs for Payment Card Industry (PCI) compliance) incurred by Operator strictly related to Operator's commencement of management of the Hotel on the Takeover Date, until the total of such fees and expenses exceeds one hundred fifty thousand dollars ($150,000), at which point Owner shall be fully liable for such fees and costs. For the avoidance of doubt, Owner is liable for any transition costs relating to the liquor license or other licenses held for the Hotel.

ARTICLE X

INTENTIONALLY RESERVED

ARTICLE XI

FF&E RESERVE

11.1. During each Fiscal Year there shall be allocated and paid on a monthly basis to the FF&E Reserve Account from Total Revenues an amount equal to four percent (4%) of Total Revenues for such Fiscal Year. Notwithstanding the foregoing, Operator agrees that to the extent a Mortgagee requires Owner to cause a portion of Total Revenues to be maintained in a separate FF&E reserve account or equivalent thereof ("Lender Reserve Account"), the sums held in the Lender Reserve Account will be included in determining the amount of Total Revenues necessary to be deposited in the FF&E Reserve Account in accordance with the terms hereof.

11.2. All funds in the FF&E Reserve Account, together with any interest earned thereon shall be used solely for purposes of replacing, substituting, adding to or refurbishing the FF&E in accordance with the applicable portion of the Approved Annual Plan. Any funds remaining in the FF&E Reserve Account at the end of a Fiscal Year shall be carried forward to the next Fiscal Year.

ARTICLE XII

INSURANCE

12.1. The following insurance with respect to the Hotel, to the extent such insurance is commercially available, shall be obtained by Operator and maintained throughout the Operating Term at Owner's sole cost and expense provided, however, Owner may elect, at the beginning of the Operating Term or no more than once per year during the Operating Term, so long as such election is at least sixty (60) days prior to any then-current policy renewal, to provide such insurance upon written notice to Operator and delivery of certificates of insurance acceptable to Operator:

A. insurance covering the Building, the Installations and the FF&E on an special peril broad form basis, against such risks as are customarily covered by such insurance (including, without limitation, boiler and machinery insurance, but excluding damage resulting from earthquake, war, and nuclear energy), in aggregate amounts which shall be not less than the full replacement cost of the Building, the Installations and the FF&E (exclusive of foundations, footings and land);

B. commercial general liability insurance with a combined single limit of not less than $1,000,000 for each occurrence and $2,000,000 per location aggregate including the following coverages: (i) bodily injury including sickness and disease, (ii) death, (iii) property damage, (iv) assault and battery, (v) mental anguish as a result of bodily injury, (vi) sexual assault, (vii) personal and advertising injury including false arrest, false imprisonment, unlawful detention, malicious prosecution, libel, slander or violation of the right of privacy, (viii) wrongful entry or eviction, (ix) liquor liability (if the Hotel sells, serves or furnishes alcoholic beverages) and host liquor liability if the sale or service of alcohol is provided by a third party, (x) innkeeper's liability, (xi) contractual liability, (xii) independent contractors, (xiii) premises and operation, (xiv) products and completed operations, and (xv) pollution coverage for liability arising out of heat, smoke or fumes from a hostile fire vapor or soot produced by or originating from equipment that it utilized by HVAC equipment and bacteria, fungi, carbon monoxide or pool chemicals.;

C. umbrella excess liability insurance with a $50,000,000 per occurrence and per location limit applying on an excess and follow form basis over the commercial general liability and auto liability insurance coverages;

D. business interruption insurance covering loss of income for a minimum period of eighteen (18) months resulting from interruption of business resulting from physical damage caused by the occurrence of any of the risks affecting the Hotel insured against under "special perils" policy referred to in Sections 12.1 (A), (E) and (F);

E. if the Hotel is located within an area designated "high hazard flood zone" pursuant to the Federal Emergency Management Agency, as the same may be amended from time to time, flood insurance in such amount as Owner may reasonably require;

F. business automobile liability insurance with limits of $1,000,000 insuring against damage due to bodily injury, death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicles, whether owned, non-owned, hired or leased, in connection with Hotel operations and garage-keeper's liability if the Operator provides parking services for guest vehicles;

G. earthquake insurance if the Hotel is located in an "earthquake zone" as determined by the U.S. Geological Survey in reasonable amount for a hotel of this type in the geographic area; and

H. Such other or additional insurance as may be (i) required under the provisions of any applicable Major Agreement (provided Operator has been given detailed written notice of such requirements) or (ii) requested by Owner in writing and customarily carried by prudent operators of similar service level hotels in the geographic area of the Hotel.

12.2. Operator shall obtain the following insurance with respect to the Hotel employees and shall maintain such insurance during the Operating Term of this Agreement at Owner's sole cost and expense:

A. worker's compensation insurance not less than amounts prescribed by applicable state law and employers liability coverage having a minimum per occurrence limit of $1,000,000 per accident/disease;

B. crime insurance, in such amounts and with such deductibles that are commercially available and economically feasible, covering Operator's employees at the Hotel (other than executive employees of Operator) or in job classifications normally insured in other hotels it manages in the United States or otherwise required by law; and

C. Employment Insurance with reasonable limits and commercially available and economically feasible deductibles.

12.3. All insurance policies shall name Operator as the insured party and shall name as additional insureds Owner and such other parties as may be required by the terms of the Major Agreements as appropriate. Owner understands that coverage afforded the Owner as an additional insured is solely for liability arising out of Operator's activities performed by Operator by or on behalf of Owner and that it may be necessary for Owner to purchase separate policies to cover Owner activities not performed by or on behalf of Operator. In the event that Owner shall obtain any insurance as required under Section 12.1 of this Agreement, other than through the program established by Operator, such insurance policy shall name Operator, Interstate Hotels & Resorts, Inc., its subsidiaries and employees as an additional insured by endorsement and Owner's coverage will be primary and noncontributory to coverage carried by the Operator.

12.4. All insurance policies shall be in such form and with such companies having an A.M. Best's Rating of A- XV or better and provided Owner has given Operator detailed written notice of such requirements, shall comply with the requirements of any Major Agreement. Insurance may be provided under blanket or master policies covering one or more other hotels operated by Operator or owned by Owner. The portion of the premium for any blanket or master policy which is allocated to the Hotel as an Operating Expense or Fixed Charge shall be determined in an equitable manner by Operator and reasonably approved by Owner and paid out of the Agency Account or, if the funds therein are insufficient, by Owner upon demand therefor by Operator. Such amount shall be determined by a suitable and customary formula applying the specific hotel exposures against appropriate rates to determine the premium allocation for the Hotel.

12.5. All insurance policies shall specify that they cannot be canceled or materially modified on less than twenty (20) days prior written notice to both Owner and Operator and any additional insureds (or such longer period as may be required under a Major Agreement, provided that Operator has been advised in writing of such period) and shall provide that claims shall be paid notwithstanding any act or negligence of Owner, or Operator unilaterally or on behalf of Owner, including without limitation their respective agents or employees.

12.6. All insurance policies shall provide, to the extent customarily obtainable from the insurance company providing such insurance, that the insurance company will have no right of subrogation against Owner, Operator any party to a Major Agreement or any of their respective agents, employees, partners, members, officers, directors or beneficial owners.

12.7. Owner and Operator hereby release one another from any and all liability, to the extent of the waivers of subrogation obtained under Section 12.6, associated with any damage, loss or liability with respect to which property insurance coverage is provided pursuant to this Article or otherwise.

12.8. The proceeds of any insurance claim (other than proceeds payable to third parties under the terms of the applicable policy) shall be paid into the Agency Account to the extent of Owner's interest therein unless otherwise required by the terms of a Major Agreement.

12.9. Operator shall have the right to pay for, or reimburse itself for, insurance required under this Article XII out of the Agency Account. Notwithstanding anything to the contrary set forth in this Agreement, Operator shall have no obligation to obtain or maintain any insurance set forth in this Article if funds from Total Revenues or funds otherwise provided by Owner are not made available to Operator to purchase the same.

12.10. Subject to the provisions of the Approved Annual Plan, Operator may act, directly or indirectly, in a brokerage capacity with respect to the insurance required under this Article or as a direct insurer or reinsurer with respect to the same.

ARTICLE XIII

PROPERTY TAXES

13.1. If requested by Owner and provided that funds from Total Revenues or funds otherwise provided by Owner are available, Operator shall (a) pay or shall cause to be paid all Property Taxes on behalf of Owner not less than ten (10) days prior to the applicable due dates and (b) furnish to Owner, before the respective dates on which Property Taxes will become delinquent, proof of payment thereof, in accordance with applicable laws and in form satisfactory to Owner, Operator shall promptly furnish Owner with proof of payment of Property Taxes.

13.2. Owner may initiate a Tax Contest, and if requested by Owner, Operator agrees to cooperate with Owner in a Tax Contest and execute any documents or pleadings required for such purpose, provided that the facts set forth in such documents or pleadings are accurate and that such cooperation or execution does not impose any liability on Operator. All costs and expenses incurred by Owner and Operator in connection with a Tax Contest shall be Fixed Charges.

ARTICLE XIV

REPAIRS AND MAINTENANCE AND CAPITAL EXPENDITURES

14.1. Subject to the then applicable Approved Annual Plan and Owner's provision of the required working capital pursuant to Section 7.1, Operator shall from time to time make such repairs and maintenance (other than Major Capital Expenditures) as are required to maintain the Hotel in a manner to allow the Hotel to meet the physical elements of the Standard.

14.2. Owner shall maintain the Hotel in accordance with the Standard and shall approve, in the Proposed Annual Plan or an amendment to any Approved Annual Plan, any Major Capital Expenditures proposed by Operator which are required to maintain the Hotel in accordance with the Standard. Operator shall not make any Major Capital Expenditure without Owner's prior written approval even if such Major Capital Expenditure is contemplated in the then applicable Approved Annual Plan and Operator shall provide details and documentation requested by Owner in connection therewith in order for Owner to make such approval determination. Notwithstanding anything herein to the contrary, Owner may, at its option, make any Major Capital Expenditure without the consent of Operator.

14.3. If Owner directly performs or contracts for repair, maintenance, refurbishing, construction or renovations at the Hotel, Owner must coordinate, and require its contractors and subcontractors to coordinate, with Operator including, but not limited to, causing any Owner employees, contractors or subcontractors to comply with safety and security rules of the Hotel and communicate on a regular basis the activities being performed at the Hotel to assure the health, safety and efficient operation of the Hotel and its guests and employees. Owner shall use commercially reasonably efforts to comply with all laws, obtain all necessary permits and shall provide Operator copies of any permits prior to commencement of any such activities.

ARTICLE XV

OWNER COVENANTS AND REPRESENTATIONS

15.1. Owner represents, warrants and covenants that it holds good and marketable fee title to the Hotel and that it will maintain good and marketable fee title to the Hotel free of any and all liens, encumbrances or other charges except for easements or encumbrances that do not adversely affect the operation of the Hotel, mortgages or liens for taxes, assessment levies or other public charges not yet due or payable.

15.2. Owner represents, warrants and covenants that neither it, nor any of its Affiliates (or any of their respective principals, partners or funding sources), is, nor will become (a) a person designated by the U.S. Department of Treasury's Office of Foreign Asset Control as a "specially designated national or blocked person" or similar status, (b) a person described in Section 1 of U.S. Executive Order 13224 issued on September 23, 2001; (c) a person otherwise identified by a government or legal authority as a person with whom Owner or Operator is prohibited from transacting business; (d) directly or indirectly owned or controlled by the government of any country that is subject to an embargo by the United States government; or (e) a person acting on behalf of a government of any country that is subject to an embargo by the United States government. Owner agrees that it will notify Operator in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties contained in this Section 15.2 incorrect.

15.3. Owner represents, warrants and covenants: (a) that it is familiar with the FCPA, and the purposes of the FCPA, and in particular, the FCPA's prohibition of the payment or the gift of any item of value, either directly or indirectly, by a company organized under the laws of the United States of America, or any of its states, to an official of a foreign government for the purpose of influencing an act or decision in such person's official capacity, or inducing such person to use influence with the foreign government to assist a company in obtaining or retaining business for, with, or in that foreign country or directing business to any person or company or obtaining an improper advantage, and (b) that it has not taken, and during the Operating Term of this Agreement it will not take, any action that would constitute a violation of the FCPA or any similar law.

15.4. Owner represents, warrants and covenants that to its knowledge it is in compliance in all material respects with all Major Agreements, that Owner has not received any written notice of breach of any of currently effective Major Agreements and that Owner will continue to comply in all material respects with all Major Agreements during the Operating Term of this Agreement. Owner agrees to promptly provide to Operator copies of any written notice of default or breach received under any Major Agreement.

ARTICLE XVI

DAMAGE OR DESTRUCTION; CONDEMNATION

16.1. If the Hotel is damaged by fire or other casualty, Operator shall promptly notify Owner. This Agreement shall remain in full force and effect subsequent to such casualty provided that either party may terminate this Agreement upon thirty days' prior written notice to the other party if (a) Owner shall elect to close the Hotel as a result of such casualty (except on a temporary basis for repairs or restoration) or (b) Owner shall determine in good faith not to proceed with the restoration of the Hotel; provided further, Operator may terminate this Agreement upon thirty days' prior written notice to Owner if forty percent (40%) or more of the rooms in the Hotel are unavailable for rental for a period of one hundred eighty (180) days or more as a result of such casualty.

16.2. If all or any portion of the Hotel becomes the subject of a condemnation proceeding or if Operator learns that any such proceeding may be commenced, Operator shall promptly notify Owner upon Operator's receipt of written notice thereof. Either party may terminate this Agreement on thirty (30) days' notice to the other party if (a) all or substantially all of the Hotel is taken through condemnation or (b) less than all or substantially all of the Hotel is taken, but, in the reasonable judgment of the party giving the termination notice, the Hotel cannot, after giving effect to any restoration as might be reasonably accomplished through available funds from the condemnation award, be profitably operated in accordance with the Standard.

16.3. Any condemnation award or similar compensation shall be the property of Owner, provided that Operator shall have the right to bring a separate proceeding against the condemning authority for any damages and expenses specifically incurred by Operator as a result of such condemnation.

ARTICLE XVII

EVENTS OF DEFAULT

17.1. Each of the following shall constitute an event of default ("Event of Default"):

A. If Owner shall fail to provide funding in accordance with Section 7.1, and such default continues for a period of five (5) business days after written notice from the Operator;

B. In addition to the Event of Default described in Section 17.(a) above, if either party shall be in default in the payment of any amount required to be paid under the terms of this Agreement, and such default continues for a period of ten (10) days after written notice from the other party;

C. If either party is in Material Default hereunder (with the exception of any such failure constituting an Event of Default under any other subsection of this Section 17.1), and such Material Default continues for a period of fifteen (15) days after written notice from the other party; provided that in case of a Material Default that poses an imminent threat to the health and safety of the Hotel Employees or guests, the non-defaulting party may terminate this Agreement upon written notice if such default is not cured within three (3) business days following receipt of written notice thereof from the non-defaulting party;

D. If either party shall (i) make an assignment for the benefit of creditors, (ii) institute any proceeding seeking relief under any federal or state bankruptcy or insolvency laws, (iii) institute any proceeding seeking the appointment of a receiver, trustee, custodian or similar official for its business or assets or (iv) consent to the institution against it of any Involuntary Proceeding;

E. If an Involuntary Proceeding shall be commenced against either party and shall remain undismissed for a period of sixty (60) days;

F. If Owner violates Sections 15.2 or 15.33 hereof, in which case Operator may terminate this Agreement immediately;

G. An assignment by Operator in violation of the provisions of Article XIX;

H. The failure of Operator to deliver to Owner on or before three (3) business days after the date when due any financial report or statement required to be delivered to Owner under this Agreement, and such failure continues for a period of three (3) business days after written notice thereof from Owner;

I. The failure of Operator to execute and deliver any commercially reasonable instrument requested by Owner to effectuate or evidence the subordination of Operator's rights hereunder or any estoppels certificate under Article XXI of this Agreement; provided that Operator shall have five (5) business days after the receipt of written notice of such default to cure; or

J. If any act is committed by corporate executive personnel of Operator which constitutes fraud, theft, embezzlement or any gross misdemeanor or greater crime or any similar criminal act involving dishonesty (which, for the avoidance of doubt, would include any acts committed which constitute fraud, theft, embezzlement or any gross misdemeanor or greater crime or any similar criminal act involving dishonesty of Operator's corporate executive personnel in the supervision and training of all Hotel Employees) in the course of performing his or her duties on behalf of Operator with respect to the Hotel; provided, however, that if, and only if, any of the foregoing acts or events are committed (a) by corporate executive personnel of Operator who are not corporate executives of Operator with the responsibilities of an executive vice president or higher and (b) without the actual prior knowledge of any person who controls Operator, such act or event committed by such corporate executive may be cured by Operator if, within ten (10) Business Days after being notified in writing of the occurrence of such act or event, Operator makes full restitution to Owner of any and all damages caused by, or resulting from, such act or event (less any portion of such damages which has been recovered) and promptly takes all appropriate actions necessary to remediate the situation and protect the interests of Owner and the Hotel.

K. If, because of any wrongful act or omission on the part of Operator, (A) a written notice of default shall be issued under the Franchise Agreement which may, if uncured, permit the Franchise Agreement to be terminated (a "Franchise Agreement Default") and (B) Operator fails to take corrective action to cure such default within any applicable notice or grace period or otherwise within sufficient time to avoid such termination (for the avoidance of doubt, a wrongful act or omission on the part of Operator shall not include an act or omission which was due to Owner's failure to provide sufficient funds in accordance with the terms of this Agreement).

17.2. Unless otherwise stated in Section 17.1 hereof, if any event of default shall occur, the non-defaulting party may terminate this Agreement on five (5) days prior written notice to the defaulting party.

17.3. The right of termination set forth in Section 17.2 shall not be in substitution for, but shall be in addition to, any and all rights and remedies for breach of contract available in law or at equity.

17.4. Neither party shall be deemed to be in default of its obligations under this Agreement if, and to the extent that, such party is unable to perform such obligation as a direct result of earthquakes, hurricanes, floods, fires, or other casualties, strike or other labor unrest not involving Hotel Employees, takings, war, terrorist acts, riot or other civil commotion (which shall not include the inability of such party to meet its financial obligations or an adverse change in general economic or market conditions, unless such adverse change is the result of one of the foregoing events). The foregoing list of events and circumstances is exclusive and not merely a list of examples.

17.5. Each of the parties hereto irrevocably waives any right such party may have against the other party hereto at law, in equity or otherwise to any consequential damages, punitive damages or exemplary damages.

ARTICLE XVIII

TERMINATION OF AGREEMENT

18.1. Provided Owner gives Operator forty-five (45) days' prior written notice, Owner may terminate this Agreement effective as of and conditioned upon the closing of the sale of the Hotel to a bona fide third-party purchaser who is not an Affiliate of Owner without any termination fee or penalty being due to Operator (other than amounts accrued prior to the effective date of termination as set forth in Section 18.9).

18.2. Beginning on the second (2nd) anniversary of the Takeover Date and upon at least sixty (60) days' written notice to Operator, Owner may terminate this Agreement, without cause and without any termination fee or penalty being due to Operator (other than amounts accrued prior to the effective date of termination as set forth in Section 18.9).

18.3.

A. Beginning on the second (2nd) anniversary of the Takeover Date (such that the first "testing year" commencing on the first day of the third year after the Takeover Date) and upon at least sixty (60) days' written notice to Operator, Owner may terminate this Agreement without any termination fee or penalty being due to Operator (other than amounts accrued prior to the effective date of termination as set forth in Section 18.9), in the event that the operations of the Hotel fail both of the following performance tests in any Fiscal Year, which shall be deemed a "Performance Failure":

(I) the Gross Operating Profit for any Fiscal Year is less than ninety percent (90%) of the Gross Operating Profit set forth in the Approved Annual Plan for such Fiscal Year (without regard to any amendments or changes to such Approved Annual Plan, whether Owner's approval thereof is either required or obtained), and

(II) the RevPAR Index is less than 90% (the "RevPAR Test").

In the event of a Performance Failure, Owner only shall be permitted to exercise its termination right under this Section 18.3 during the ninety (90) day period following Owner's receipt of the Monthly Reports (as described in Section 8.2) for the last month of the Fiscal Year in which such Performance Failure occurred. Notwithstanding the foregoing, if within thirty (30) days after receipt of the notice to terminate due to a Performance Failure, Operator pays Owner an amount equal to the difference between (x) actual Gross Operating Profit and (y) budgeted Gross Operating Profit set forth in the Approved Annual Plan for the Fiscal Year that gave rise to the Performance Failure under this Section 18.3, then such Performance Failure shall be deemed fully cured by Operator, such that the notice to terminate due to a Performance Failure is automatically deemed rescinded and no basis for a Performance Failure shall be deemed to exist; provided that Operator may only cure a Performance Failure twice during the Operating Term.

B. Notwithstanding anything to the contrary contained in this Agreement, if at any time after the Takeover Date: (i) a hotel in the then existing Competitive Set is no longer operating at a level substantially equivalent to the higher of (x) the Standard; or (y) as of the date hereof, (ii) information with respect to a hotel in the then existing Competitive Set is no longer available through the Smith Travel Research; and/or (iii) a material change to a hotel in the then existing Competitive Set occurs, including the cessation of operation of a hotel or a change to the standards of operation of a hotel, then either party may request that the other party consent to the removal and replacement of such hotel in the Competitive Set.

C. In the event that the removal of a hotel from the Competitive Set is requested by either party and the other party consents to such removal, Owner and Operator, each acting reasonably, shall endeavor to agree upon one or more replacement hotels to be included in the Competitive Set that consist of hotels in the Hotel's immediate market area that are most comparable to the Hotel in quality, price and market position (with due consideration given to location, age, quality, size, amenities, amount of meeting space and business mix); provided that: (i) any replacement hotel must have been in operation for at least five full years; (ii) the Competitive Set includes at least four hotels and no more than six hotels, and (iii) a single hotel in the Competitive Set does not account for more than 30% of the total guest rooms of all hotels included in the Competitive Set (the "Replacement Hotel Requirements"). If the parties are unable to reach agreement as to: (x) whether a hotel should be removed from the Competitive Set, and/or (y) which hotels are to be included in the Competitive Set, either party may submit the matter to the Industry Expert for resolution.

D. In connection with the removal of a hotel from the Competitive Set or the selection of a replacement hotel or hotels for the Competitive Set, either party may also request that the RevPAR Test be modified to account for the changes to the Competitive Set. If the parties are unable to reach agreement as to a modification of the RevPAR Test, either party may request that the Industry Expert resolve such dispute, concurrently with the resolution of whether a hotel should be removed from the Competitive Set and/or which hotels are to be included in the Competitive Set.

E. In the event a hotel or hotels are removed from the Competitive Set pursuant to the procedure set forth in this Section 18.3, and the parties determine that the immediate market area does not include a replacement hotel which meets the Replacement Hotel Requirements, either party may propose: (i) a replacement hotel which does not meet the Replacement Hotel Requirements for the other party's consideration; and (ii) in connection with such proposal, a modification to the RevPAR Test to account for the changes to the Competitive Set that result from the addition of a hotel which does not meet the Replacement Hotel Requirements. If the parties are unable to reach agreement as to: (x) the inclusion of a hotel which does not meet the Replacement Hotel Requirements, and/or (y) a modification to the RevPAR Test in connection therewith, either party may submit the matter to the Industry Expert for resolution.

F. The Competitive Set shall be reviewed and amended as requested under this Section 18.3 and as part of the approval of the then applicable Proposed Annual Plan.

18.4. Operator and Owner agree that upon termination, there may be certain adjustments to the final accounting for which information may not be available at the time of the final accounting and the parties agree to readjust such amounts and make the required cash adjustments when such information becomes available; provided, however, but subject to the provisions of Article XXII hereof, all accounts shall be deemed final one (1) year after termination of the Agreement.

18.5. No later than ninety (90) days following the termination of this Agreement Operator shall transfer to Owner all remaining amounts in the Agency Account and the FF&E Reserve Account.

18.6. Following termination of this Agreement, Operator shall transfer to Owner all books and records (excluding employment records other than (i) employee census information and (ii) union employee records that must remain at the Hotel) with respect to the Hotel following termination of this Agreement.

18.7. To the extent permitted by applicable laws, upon termination of this Agreement for any reason Operator shall use reasonable efforts to assist Owner in assigning any contracts, permits or licenses (including restaurant and liquor licenses) to Owner or the subsequent manager or owner and. shall use reasonable efforts to obtain all consents necessary therefor; provided that (a) Owner shall give Operator sufficient time to effect such transfers; (b) Owner shall cooperate and require that the new manager and/or owner to cooperate, with Operator with respect to such transfers; (c) Owner shall pay or reimburse any costs or expenses, including reasonable attorney fees, incurred by Operator in connection with these efforts.

18.8.

A. All intellectual technology or intellectual property, including any software or systems, used on a system wide basis at Operator's properties shall remain the exclusive property of Operator ("Operator IP"). Upon termination of this Agreement for any reason Operator shall have the right to remove such Operator IP, and remove Owner's access to any proprietary systems related to such Operator IP without compensation to Owner. Owner assumes all liability if Owner uses illegally licensed software that constitutes Operator IP. Notwithstanding the foregoing, upon termination of this Agreement for any reason, Operator shall provide to Owner a copy of all data and information relating to the operation of the Hotel during the twelve (12) months immediately preceding the termination date and the right to copy such data and information, but not the Operator IP itself.

B. Operator shall cause any intellectual technology or intellectual property, including any software or systems, specific to the Hotel itself, ("Owner IP") to be in the name of Owner in order that such Owner IP shall be owned, licensed and proprietary to Owner. The Owner IP shall remain the exclusive property of Owner and upon termination, Operator shall have no right to remove such Owner IP or remove Owner's access to any system related to such Owner IP. Operator assumes all liability if Operator uses illegally licensed software that constitutes Owner IP.

C. All hardware or other software equipment installed at the Hotel (excluding leased equipment) shall remain the exclusive property of Owner and upon termination, Operator shall have no right to remove such non-leased hardware or equipment.

18.9. If this Agreement is terminated for any reason, a Termination Reserve shall be established to (i) reimburse Operator for all costs and expenses incurred by Operator in terminating its employees at the Hotel (such as severance pay, unemployment compensation, employment relocation, earned and accrued vacation pay, bonus accruals, estimated tax payments and any other employee liability costs arising out of termination of employment of Operator's employees at the Hotel), but specifically excluding withdrawal liability from any applicable Union (which is addressed in Section 4.2 of this Agreement); (ii) pay outstanding accounts payable for liabilities and obligations incurred during the Operating Term; and (iii) make any required adjustments as described in Section 18.4 hereof. On or before the effective date of termination, Operator shall provide Owner an estimate of such costs and expenses, based on known liabilities with reasonable evidence to substantiate this estimate for review and mutual reasonable approval by the parties.

18.10. Upon termination of this Agreement for any reason during, or at the end of, the Operating Term of this Agreement, (a) Operator and Owner agree to sign any documents reasonably necessary to effect such termination or change in management for the Hotel, (b) Owner shall pay to Operator all Basic Fees, Centralized Services Fees, Incentive Fees, reimbursable expenses and other amounts due under this Agreement through the effective date of termination, including, if applicable, the Unamortized Key Money in accordance with Section 3.7, and (c) Operator shall pay to Owner any amounts due and owing to Owner under this Agreement. For avoidance of doubt, the Unamortized Key Money shall not be payable if this Agreement is terminated as a result of an Operator Event of Default.

18.11. Upon termination of this Agreement for any reason, subject to Owner performing its obligations with respect to the termination, Operator shall peaceably and quietly surrender and deliver up to Owner possession of the Hotel in accordance with its obligations contained herein, with the specific intent to effectuate a smooth transition of management of the Hotel to Owner or a third party so as to minimize any potential disturbance of guests.

ARTICLE XIX

ASSIGNMENT

19.1. Operator shall not assign or pledge this Agreement without the prior written consent of Owner; provided that, Operator may, without the consent of Owner, assign this Agreement to (a) any entity controlling, controlled by or under common control with Operator (control being deemed to mean the ownership of fifty percent (50%) or more of the stock or other beneficial interest in such entity and/or the irrevocable power to direct the day-to-day and long-term operations and policies of such entity); (b) any entity which is the successor by merger, consolidation or reorganization of Operator or Operator’s general partner, managing member or parent corporation or (c) the purchaser of all or substantially all of the hotel management business of Operator or Operator’s general partner, managing member or parent corporation. Should Operator assign this Agreement under subsection (a), (b) or (c) above, Owner agrees to attorn to the assignee. Nothing in this Agreement shall prohibit or be deemed to prohibit any pledge by Operator of the Basic Fee, Incentive Fee or any other amounts received by Operator under this Agreement to any institutional lender as collateral security for debt of Operator and/or Operator’s Affiliates.

19.2. Owner shall not assign this Agreement without the prior written consent of Operator; provided that, Owner may assign this Agreement without Operator’s consent to any person or entity acquiring Owner’s fee interest in the Hotel as of the effective date of such acquisition if (a) Owner provides Operator with thirty (30) days prior written notice of such assignment, and (b) such assignee agrees in writing to be bound by this Agreement and assumes in writing all of Owner’s obligations under this Agreement from and after the effective date of such assignment. Nothing in this Agreement shall prohibit or be deemed to prohibit any mortgage, charge, pledge or other encumbrance of all or any part of Owner’s right, title and interest in the Hotel to any institutional lender as collateral security for debt of Owner and/or Owner’s Affiliates, subject to the terms of Article XXI.

19.3. Upon any permitted assignment of this Agreement and the assumption of this Agreement by the assignee, the assignor shall not be relieved of any obligation or liability under this Agreement arising after the effective date of the assignment unless (a) such assignee assumes liabilities that arose prior to the effective date of the assignment (which, in the case of Owner, shall include any obligation to repay the Unamortized Key Money) or (b) the non-assigning party receives other written assurance with respect to such liabilities reasonably acceptable to such non-assigning party, in which case of either (a) or (b) the assigning party shall be automatically released from any and all liability arising from, or relating to, this Agreement and the ownership and operation of the Hotel (including without limitation, in the case of Owner, any obligations with respect to the Unamortized Key Money).

ARTICLE XX

NOTICES

20.1. Any notice, statement or demand required to be given under this Agreement shall be in writing, sent by certified mail, postage prepaid, return receipt requested, or by facsimile transmission, receipt electronically or verbally confirmed, or by nationally-recognized overnight courier, receipt confirmed, addressed if to:

Owner:	Justice Operating Company LLC 10940 Wilshire Boulevard, Suite 2150 Los Angeles, CA 90024 Attention: David Gonzalez Facsimile No.: (310) 496-1605 Email: dgonzalez@intgla.com
with a copy to:	Justice Operating Company LLC 10940 Wilshire Boulevard, Suite 2150 Los Angeles, CA 90024 Attention: John Winfield Facsimile No.: (310) 889-2525 Email: jwinfield@intgla.com
and Operator:	Interstate Management Company, LLC c/o Interstate Hotels & Resorts, Inc. 4501 N. Fairfax Drive, Suite 500 Arlington, VA 22203 Attention: Executive Vice President and General Counsel Facsimile No.: (703) 387-3389

or to such other addresses as Operator and Owner shall designate in the manner provided in this Section 20.1. Any notice or other communication shall be deemed given (a) on the date three (3) business days after it shall have been mailed, if sent by certified mail, (b) on the business day it shall have been sent by facsimile transmission (unless sent on a non-business day or after business hours in which event it shall be deemed given on the following business day), or (c) on the date received if it shall have been given to a nationally-recognized overnight courier service.

ARTICLE XXI

SUBORDINATION; ESTOPPELS; RECOGNITION

21.1. Operator agrees that its rights under this Agreement are subject and subordinate to any Mortgage now, or hereafter in effect, as well as with respect to any security agreements, pledge agreements or other secured financing documents encumbering any direct or indirect interests in the Hotel or the Owner itself (collectively, the "Lenders' Liens"); provided that such Lenders' Liens are held by Institutional Lenders, and further provided that, such subordination shall not be deemed a waiver or forbearance from (a) receiving from Owner, on a current basis and as and when due, any and all fees and expenses due to it under this Agreement prior to an event of default under any such mortgage or deed of trust or (b) exercising any right Operator may have to terminate this Agreement pursuant to Article 17 above, subject to granting reasonable cure rights to such Institutional Lender. Operator further agrees to execute and deliver within ten (10) days after written request therefor any document or certificate containing customary and reasonable terms confirming subordination and attornment, as Owner or any holder of any such Lenders' Liens may reasonably request.

21.2. Owner and Operator agree that from time to time upon the request of the other party or a party to a Major Agreement, it shall execute and deliver within ten (10) days after the request a certificate confirming that this Agreement is in full force and effect, stating whether this Agreement has been modified and supplying such other information as the requesting party may reasonably require.

ARTICLE XXII

INDEMNIFICATION

22.1. To the fullest extent permitted by law, Operator hereby agrees to indemnify, defend and hold Owner and its Affiliates (and each of their respective agents, principals, contractors, shareholders, partners, members, officers, directors and employees, and each of their respective successors and assigns (individually, an "Owner Indemnitee" and collectively, "Owner Indemnitees")) harmless from and against any and all liabilities, losses, claims, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees and expenses) that may be incurred by or asserted against any Owner Indemnitee and that arise from or relates to (a) the fraud, willful misconduct or gross negligence of the off-site employees of Operator, General Manager or Director of Finance, (b) the breach by Operator of any provision of this Agreement caused by the fraud, willful misconduct or gross negligence of the off-site employees of Operator, General Manager or Director of Finance, or (c) any action taken by Operator, General Manager or Director of Finance which is beyond the scope of Operator's authority under this Agreement (the "Operator Indemnity Obligations"); provided that, Operator shall not be obligated with regard to the foregoing for the Hotel's Director of Finance if the Director of Finance (i) was the Hotel's Director of Finance (or equivalent position) immediately prior to the Takeover Date and (ii) less than six (6) months have elapsed since the Takeover Date. Owner shall promptly provide Operator with written notice of any claim or suit brought against any Owner's Indemnitee by a third party which might result in such indemnification. Owner shall cooperate with the Operator or its counsel in the preparation and conduct of any defense to any such claim or suit.

22.2. To the fullest extent permitted by law, Owner hereby agrees to indemnify, defend and hold Operator and its affiliates (and each of their respective agents, principals, contractors, shareholders, partners, members, officers, directors and employees, and each of their respective successors and assigns (individually, an "Operator Indmenitee" and collectively, "Operator Indemnitees")) harmless from and against all liabilities, losses, claims (including, but not limited to Employment Claims) damages, costs and expenses (including, but not limited to, reasonable attorneys' fees and expenses; and any additional tax as set forth in Section 9.7 and interest and penalties thereon) that may be incurred by or asserted against any Operator Indemnitee and that arise from or relates to (a) the performance of Operator's services in accordance with this Agreement, (b) any act or omission (whether or not willful, tortious, or negligent) of Owner or any third party, (c) any liabilities arising from a tax audit with respect to the Hotel whether conducted during or after the Operating Term, (d) Owner's failure to promptly remove any Hazardous Materials on any portion of the Hotel or its surrounding site or otherwise remedy the problem in accordance with all laws, rules and regulations of any governmental authority or (e) or any other occurrence related to the Hotel and/or Operator's duties under this Agreement whether arising before, during or after the Operating Term (the "Owner Indemnity Obligations"). Operator shall promptly provide Owner with written notice of any claim or suit brought against it by a third party which might result in such indemnification. Operator shall cooperate with the Owner or its counsel in the preparation and conduct of any defense to any such claim or suit. **IT IS EXPRESSLY AGREED AND UNDERSTOOD THAT THIS AGREEMENT INCLUDES INDEMNIFICATION PROVISIONS WHICH, IN CIRCUMSTANCES OTHER THAN AS PROVIDED FOR IN SECTION 22.1, COULD INCLUDE AN INDEMNIFICATION BY OWNER OF OPERATOR FROM CLAIMS OR LOSSES ARISING AS A RESULT OF OPERATOR'S OWN NEGLIGENCE OR THE NEGLIGENCE OF OPERATOR'S EMPLOYEES WHETHER OR NOT SUCH NEGLIGENCE IS PASSIVE OR ACTIVE.** It is agreed that none of the Operator Indemnitees shall have any right to indemnity with respect to any Owner Indemnity Obligations if such Owner Indemnity Obligations result from, were caused by or otherwise constitute an Operator Indemnity Obligation for which Operator is required to indemnify the Owner Indemnitees in accordance with Section 22.1.

22.3. If any action, lawsuit or other proceeding shall be brought against any Indemnified Party hereunder arising out of or based upon any of the matters for which such party is indemnified under this Agreement, such Indemnified Party shall promptly notify the Obligor in writing (which may be in the form of email) thereof and, except in the case of an Employment Claim (which shall be defended by Operator subject to the indemnity set forth in Section 22.2). Obligor shall promptly assume the defense thereof (including without limitation the employment of counsel selected by Obligor) unless otherwise agreed to in writing by the parties as provided herein, such defense to be subject to the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld (provided, however, by way of illustration and not limitation, it shall be reasonable for the Indemnified Party to deny consent to any settlement that requires the Indemnified Party to admit guilt or liability). The Indemnified Party shall cooperate with the Obligor in the defense of any such action, lawsuit or proceeding, on the condition that the Obligor shall reimburse the Indemnified Party for any out-of-pocket costs and expenses incurred in connection therewith. Subject to the terms of this Agreement, the Obligor shall have the right to negotiate settlement or consent to the entry of judgment with respect to the matters indemnified hereunder; provided, however, that if any such settlement or consent judgment contemplates any action or restraint on the part of the Indemnified Party, then such settlement or consent judgment shall require the written consent of the Indemnified Party, which consent shall not be unreasonably withheld. In addition to the foregoing, the Indemnified Party shall have the right (at its own expense) to employ separate counsel in any such action and to participate in the defense thereof. An Indemnified Party may settle any action on its own behalf (i.e., with respect to its own liability and with no requirement of Obligor to admit guilt or liability) only with the prior written consent of Obligor, which consent shall not be unreasonably withheld (provided, however, by way of illustration and not limitation, it shall be reasonable for Obligor to deny consent to any settlement that requires Obligor to expend funds in an amount Obligor reasonably determines is inappropriate so long as the Indemnified Party remains adequately protected at all times). In the event that Obligor fails to use reasonable efforts to defend or compromise any action, lawsuit or other proceeding for which an Indemnified Party is indemnified hereunder or as the parties may agree, the Indemnified Party may, at Obligor's expense and without limiting Obligor's liability under the applicable indemnity, assume the defense of such action and the Obligor shall pay the charges and expenses of such attorneys and other persons on a current basis within thirty (30) days of submission of invoices or bills therefor. In the event the Obligor is Owner and Owner neglects or refuses to pay such charges, Operator may pay such charges out of the Agency Account and deduct such charges from any amounts due Owner, or add such charges to any amounts due Operator from Owner under this Agreement. If Operator is the Obligor and Operator neglects or refuses to pay such charges, the amount of such charges shall be deducted from any amounts due Operator under this Agreement.

22.4. The provisions of this Article shall survive the termination of this Agreement with respect to acts, omissions and occurrences arising during the Operating Term.

ARTICLE XXIII

MISCELLANEOUS

23.1. Owner and Operator shall execute and deliver all other appropriate supplemental agreements and other instruments, and take any other action necessary to make this Agreement fully and legally effective, binding, and enforceable as between them and as against third parties; provided, however, that neither party shall be required to execute any other document or instrument or perform any other action that would materially increase its liability or decrease its rights under this Agreement.

23.2. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof, superseding all prior agreements or undertakings, oral or written. Owner acknowledges that in entering into this Agreement, Owner has not relied on any projection of earnings, statements as to the possibility of future success, or other similar matter which may have been prepared by Operator.

23.3 The. headings of the titles to the articles of this Agreement are inserted for convenience only and are not intended to affect the meaning of any of the provisions hereof.

23.4. A waiver of any of the terms and conditions of this Agreement may be made only in writing and shall not be deemed a waiver of such terms and conditions on any future occasion.

23.5. This Agreement shall be binding upon and inure to the benefit of Owner and Operator and their respective successors and permitted assigns.

23.6. This Agreement shall be construed, both as to its validity and as to the performance of the parties, in accordance with the laws of the state of California without reference to its conflict of laws provisions.

23.7. This Agreement may be executed in any number of counterparts each of which shall, when executed, be deemed to be an original and all of which shall be deemed to be one and the same instrument. Signatures on this Agreement delivered by facsimile shall be deemed to be original signatures for all purposes of this Agreement.

23.8.

(a) The parties shall first attempt in good faith to resolve disputes informally prior to pursuing formal dispute resolution under Section 23.8(b). Upon receiving notice of any claim or dispute, the parties shall first meet in good faith at a mutually agreeable time and location to discuss the dispute and attempt to settle the matter without resort to formal dispute resolution. This meeting shall proceed in advance of further arbitration or other legal proceedings, provided that either party may initiate arbitration or other legal proceedings as necessary in order to avoid the expiration of any statutes of limitation, statutes of repose, or similar time limitations. In such event, the arbitration or legal proceeding shall be stayed pending completion of the informal meeting.

(b) Except as provided in Section 8.5, all disputes and claims related to or arising out of the Agreement shall be resolved by arbitration conducted through any nationally recognized arbitration provider, in accordance with the Commercial Arbitration Rules and Mediation Procedures of the American Arbitration Association then currently in effect. The arbitrator shall be independent and impartial, and shall be a judge or lawyer with at least ten (10) years of experience handling claims related to the hospitality industry, unless otherwise agreed to by the parties. All arbitration proceedings shall be held in San Francisco, California unless otherwise agreed to by the parties. Any arbitration arising out of or relating to this Agreement may include, by consolidation or joinder or in any other manner, other persons substantially involved in a common question of fact or law whose presence is required if complete relief is to be accorded in arbitration. Consent to arbitration involving an additional person or entity shall not constitute consent to arbitration of a claim not described therein or with a person or entity not named or described therein. This agreement to arbitrate shall be specifically enforceable under applicable law in any court having jurisdiction thereof. The award of the arbitrators may be entered as a judgment in any court of competent jurisdiction.

(c) The parties shall equally share all costs and expenses related to payment of arbitrators or filing fees or other similar expenses assessed by arbitration institutions.

(d) WAIVER OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT, OR ANY COURSE OR CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF THE PARTIES.

23.9. If any provision of this Agreement or its application to any party or circumstances is determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances, other than those as to which it is so determined invalid or unenforceable, will not be affected thereby, and each provision hereof will be valid and will be enforced to the fullest extent permitted by law.

23.10. Owner or Owner’s agent shall have the continuing right during the term of this Agreement upon reasonable prior notice and at reasonable times to inspect the Hotel.

23.11. Time shall be of the essence in the performance of the obligations of the parties under this Agreement.

23.12. This Agreement may not be modified, amended, surrendered or changed, except by a written document signed by Owner and Operator agreeing to be bound thereby.

23.13. Notwithstanding anything herein to the contrary, if Owner’s approval or consent is required under this Agreement, Operator shall request such approval or consent in writing and Owner shall deliver its response to such request in writing. For the avoidance of doubt, as used in this Section 23.13 “in writing” shall include email communications.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Operator and Owner have duly executed this Agreement the day and year first above written.

JUSTICE OPERATING COMPANY, LLC,
a Delaware limited liability company

By: Justice Mezzanine Company, LLC, a Delaware limited liability company, its sole Member

By: Justice Investors, LP, a California Limited partnership, its sole Member

By: Portsmouth Square, Inc.,
its sole General Partner

By: /s/ John V. Winfield
Name: John V. Winfield
Its: President

INTERSTATE MANAGEMENT COMPANY, LLC

By: Interstate Operating Company, L.P., member

By: Interstate Hotels & Resorts, Inc., general partner

By: /s/ Monica L. Bernstein
Name: Monica L. Bernstein
Title: Vice president of LegaI

DEFINITION ANNEX

"Affiliate" or **"Affiliated"** - shall mean any person which, directly or indirectly, controls, is controlled by or is under common control with, such person. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any person, means the possession, directly or indirectly, or the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise, including, without limitation, control exists when a person is a managing member, managing partner, trustee, president and/or chief executive officer of a person and/or of an Affiliate of such person. A "person" shall mean an individual, corporation, partnership, limited liability company, limited partnership and/or trust. A natural person is an Affiliate to another natural person if he or she is a spouse, parent or lineal descendent of the other person.

"Agency Account" - shall mean, collectively, one or more accounts bearing the name of the Hotel where all funds received by Operator in the operation of the Hotel are deposited.

"Agreement" - shall mean the Hotel Management Agreement.

"Annual Operating Statement" - has the meaning set forth in Section 8.2(D).

"Approved Annual Plan" - shall mean the then applicable Proposed Annual Plan approved in accordance with the provisions of Section 8.5.

"Basic Fee" - shall mean the base management fee paid by Owner to pursuant to Section 9.1.

"Building" - shall mean a building with 543 guest rooms (with the potential of 19 additional rooms), restaurant(s), lounge(s), conference and meeting rooms and a 5-level underground parking garage.

"Capital Budget" - has the meaning set forth in Section 8.5.

"Centralized Accounting Services" - shall mean services provided to create, maintain and verify financial statements by the general ledger group in Operator's shared services center along with providing sales and use tax services and filing, as set forth in Exhibit D.

"Centralized Accounting Services Fee" - has the meaning set forth in Section 9.2.

"Centralized Services" - shall mean the Centralized Accounting Services and any and each of the purchasing services, other group benefits and services, revenue management services, on-site sales training, associate satisfaction surveys, Operator's national training program and other training, as are made available generally to similar properties managed by Operator.

"Competitive Set" - shall mean the hotels within the Hotel's market area that are most closely comparable to the Hotel in quality, price and market (with due consideration given to age, quality, size, location, amenities, amount of meeting space and business mix). The initial Competitive Set shall be determined by the parties within thirty (30) days after the Commencement Date, provided that if the parties disagree as to whether any hotel should be included and/or excluded from the Competitive Set and the parties cannot reach a resolution within such thirty (30) day period, then such dispute shall be resolved by the Industry Expert.

"Commencement Date" - shall mean the date of this Agreement as set forth in the introductory paragraph hereto.

"Comparable Aggregate Cost Test" - has the meaning set forth in Section 6.2.

"Core Executive Staff" - has the meaning set forth in Section 4.1(B).

"CPI" - shall mean the Consumer Price Index - All Urban Consumers (U.S. City Average) (1982-1984 =100), or any successor index thereto appropriately adjusted.

"Distributable Cash" - has the meaning set forth in Section 9.5.

"Electronic Storage System" - has the meaning set forth in Section 8.1.

"Emergency Expenses" - shall mean expenses, regardless of amount, which in Operator's good faith judgment are immediately necessary to protect the physical integrity or lawful operation of the Hotel or the health or safety of its occupants.

"Employee Expenses" - has the meaning set forth in Section 4.1(B).

"Employment Claim" - shall mean any claim based upon a violation or alleged violation of the Employment Laws.

"Employment Insurance" - shall mean Employment Practices Liability Insurance.

"Employment Laws" - shall mean any federal, state, local and foreign statutes, laws, ordinances, regulations, rules, permits, judgments, orders and decrees affecting labor union activities, civil rights or employment in the United States, including, without limitation, the Civil Rights Act of 1870, 42 U.S.C. §1981, the Civil Rights Acts of 1871, 42 U.S.C. §1983 the Fair Labor Standards Act, 29 U.S.C. §201, et seq., the Civil Rights Act of 1964, 42 U.S.C. §2000e, et seq., as amended, the Age Discrimination in Employment Act of 1967, 29 U.S.C. §621, et seq., the Rehabilitation Act, 29 U.S.C. §701, et seq., the Americans With Disabilities Act of 1990, 29 U.S.C. §706,42 U.S.C. §12101, et seq., the Employee Retirement Income Security Act of 1974,29 U.S.C. § 301, et seq., the Equal Pay Act, 29 U.S.C. §201, et seq., the National Labor Relations Act, 29 U.S.C. §151, et seq., and any regulations promulgated pursuant to such statutes (as amended from time to time, and together with any similar laws now or hereafter enacted).

"Employment Policies" - shall mean the policies, procedures and programs for the Hotel relating to the employment of Hotel Employees, including wage, benefits and severance policies. The Employment Policies shall be reasonably designed to effect compliance with the Employment Laws and shall be consistent with industry standards from time to time for reputable hotel management companies.

"Event of Default" - has the meaning set forth in Section 17.1.

"FCPA" - shall mean the United States Foreign Corrupt Practices Act, 15 U.S.C. §§ 778dd-2.

"FF&E" - shall mean the furniture, furnishings, wall coverings, floor coverings, window treatments, fixtures and hotel equipment and vehicles.

"FF&E Budget" - has the meaning set forth in Section 8.5.

"FF&E Reserve Account" - shall mean an account established for a reserve for replacements, substitutions and additions to the FF&E.

"Fiscal Year" - shall mean each twelve (12) consecutive calendar month period or partial twelve (12) consecutive calendar month period within the Term commencing on January 1st (or, with respect to the first year of the Term, the Commencement Date) and ending on December 31st (or, with respect to the last year of the Term, the expiration or earlier termination of the Term) unless Owner and Operator otherwise agree.

"Fixed Charges" - shall mean the cost of the following items relating to the Hotel or its facilities which are properly attributable under the Uniform System to the period in question:

(i) Property Taxes;

(ii) Insurance premiums (or the allocable portion thereof in the case of blanket policies) for all insurance maintained under Section 12.1; and

(iii) The Basic Fee.

"Franchise Agreement" - shall mean the franchise or license agreement from time to time issued to owner with respect to the operation of the Hotel, if any. Presently, "Franchise Agreement" means the Franchise License Agreement having an effective date of November 24, 2004 between Hilton Inns, Inc., as Franchisor, and Owner, as franchisee, as the same has been and may be modified and amended.

"Franchisor" - shall mean any issuer of a franchise or license agreement with respect to the operation of the Hotel from time to time. Presently, the Franchisor is Hilton Inns, Inc.

"GAAP" - shall mean generally accepted accounting principles in the United States.

"Gross Operating Profit" - shall mean the amount, if any, by which Total Revenues exceed Operating Expenses.

"Hotel" - shall mean the hotel known as Hilton San Francisco Financial District located at 750 Kearny Street, San Francisco, CA 94108.

"Hotel Employees" - shall mean the on-site staff of the Hotel.

"Hotel Purchases" - has the meaning set forth in Section 6.2.

"Incentive Fee" - shall mean the incentive management fee paid by Owner to Operator pursuant to Section 9.3.

"Indemnified Party" - shall mean any Owner Indemnitee or Operator Indemnitee, as the context requires.

"Industry Expert" - has the meaning set forth in Section 8.5.

"Initial Term" - has the meaning set forth in Section 2.1.

"Installations" - shall mean the mechanical systems and built-in installations of the Building including, but not limited to, heating, ventilation, air conditioning, electrical and plumbing systems, elevators and escalators, and built-in laundry, refrigeration and kitchen equipment.

"Institutional Lender" - shall mean a foreign or domestic commercial bank, trust company, savings bank, savings and loan association, life insurance company, real estate investment trust, pension trust, pension plan or pension fund, a public or privately-held fund engaged in real estate and/or corporate lending, or any other financial institution commonly known as an institutional lender (or any Affiliate thereof); provided further that such entity shall not be an Affiliate of Owner.

"Involuntary Proceeding" - shall mean any of the following instituted against a party by any other person or entity: (i) assignment for the benefit of creditors, (ii) proceeding seeking relief under any federal or state bankruptcy or insolvency laws, or (iii) proceeding seeking the appointment of a receiver, trustee, custodian or similar official for such party's business or assets.

"IT Services" - has the meaning set forth in Section 6.3.

"Key Money Contribution" - has the meaning set forth in Section 3.8.

"Leases" - shall mean the leases, licenses and concession agreements for or any other arrangement granting any rights to occupy or use any portion of the Hotel for any purpose, including, without limitation, for retail space, office space, kiosk space and lobby space at the Hotel (including without limitation, car rental counters and gift shops) and commercial space, if any, that is adjacent to or otherwise part of the Hotel (including without limitation, rooftop antennas), provided, however, "Leases" shall not include any guest room rentals or banquet or conference space rentals consistent with the then applicable Approved Annual Plan or in the ordinary course of business.

"Legal Requirements" - shall mean (a) all federal, state, county, city and local laws, ordinances, statutes, regulations and orders relating to the Hotel now or hereafter in effect, including, but not limited to, environmental laws and (b) all terms, conditions, requirements and provisions of all permits.

"Lender Reserve Account" - has the meaning set forth in Section 11.1.

"Lenders' Liens" - has the meaning set forth in Section 21.1.

"Major Agreements" - shall mean any Mortgage, any Franchise Agreement and the Union Agreements.

“Major Capital Expenditures” - has the meaning set forth in Section 8.4(B).

“Material Default” - shall mean any breach or failure by either Owner or Operator to comply with any of its covenants and agreements contained in this Agreement, other than any such breach or failure that in the context hereof is minor, immaterial or insubstantial and not reasonably likely to prejudice any other party or any part of the Hotel in any material way.

“Minimum Working Capital” - shall mean an amount equal to (i) from the Takeover Date to July 31, 2017, four hundred thousand dollars ($400,000), and (ii) from August 1, 2017 through the remainder of the Operating Term, eight hundred thousand dollars ($800,000).

“Monthly Cash Flow Forecast” - shall mean a monthly cash flow forecast for the Hotel with projections for the next 90-day period.

“Monthly Reports” - shall mean, collectively, with respect to each month during the Operating Term (a) a balance sheet as of the last day of such month; (b) a source and use of funds statement for such month; (c) an income and expense statement for such month, including departmental details; (d) Monthly Cash Flow Forecast; (e) a comparison of the monthly, quarterly and year-to-date actual revenues and expenses with the then applicable Approved Annual Plan as well as a periodic and year-to-date comparison of such actual revenues and expenses with those of the prior Fiscal Year; (f) a calculation and computation of Operator’s Basic Fee and Incentive Fee and any expense reimbursement to Operator or its Affiliates; (g) a calculation and computation of the distribution of Distributable Cash; (d) a reserve reconciliation showing an acquisition and disposal report of all FF&E, the Capital Budget and the FF&E Budget and any expenditures year-to-date; (h) the applicable STAR Report for the Hotel; (i) any QA Scoring Guide reports issued by the Franchisor and (j) such other reports or information as reasonably required by Owner. The Monthly Reports for the last month of a Fiscal Year shall include year-end unaudited financial statements.

“Mortgage” - shall mean (a) any existing and future mortgage or deed of trust or similar security instrument that, from time to time, encumbers the Hotel or any portion thereof to secure any indebtedness of Owner or any holder of a direct or indirect equity interest in Owner or any other obligations secured by the Hotel or any portion thereof or (b) any existing and future pledge agreement, security agreement or similar instrument that, from time to time, encumbers the direct or indirect equity interests of any person or entity that directly or indirectly owns all, or any portion of, the Owner, provided that in the case of both (a) and (b), such security instruments relate to the financing of the Hotel.

“Mortgagee” - shall mean the mortgagee or beneficiary under any Mortgage.

“Necessary Expenses” - shall mean expenses, regardless of amount, that are necessary for the continued operation of the Hotel in accordance with the requirements of any Major Agreement and the operational standards set forth in this Agreement and which are not within the reasonable control of Operator (including, but not limited to, those for insurance, taxes, utility charges and debt service).

“Obligor” - shall mean the party required to provide indemnification under this Agreement.

“Operating Budget” -has the meaning set forth in Section 8.5.

“Operating Equipment” - shall mean the chinaware, glassware, silverware, linens, and other items of a similar nature.

“Operating Expenses” - shall mean all costs and expenses of maintaining, conducting and supervising the operation of the Hotel and all of its facilities which are properly attributable under the Uniform System to the period in question.

A. Operating Expenses shall include, without limitation:

(i) The cost of all Operating Equipment and Operating Supplies;

(ii) Salaries and wages of Hotel Employees, including costs of payroll taxes, employee benefits and severance payments. The salaries or wages of off-site employees of Operator or its Affiliates shall not be Operating Expenses, provided that if it becomes necessary for an off-site employee of Operator or an Affiliate to temporarily perform services at the Hotel of a nature normally performed by Hotel Employees, his or her salary (including payroll taxes and employee benefits) for such period only as well as his or her traveling expenses shall be Operating Expenses and reimbursed to Operator;

(iii) The cost of all other goods and services obtained in connection with the operation of the Hotel including, without limitation, heat and utilities, laundry, landscaping and exterminating services and office supplies;

(iv) The cost of all non-capital repairs to and maintenance of the Hotel;

(v) Insurance premiums (or the allocable portion thereof in the case of blanket policies) for all insurance maintained under Section 12.2 and losses incurred on any self-insured risks (including deductibles);

(vi) All taxes, assessments, permit fees, inspection fees, and water and sewer charges and other charges (other than income or franchise taxes) payable by or assessed against Owner with respect to the operation of the Hotel, excluding Property Taxes;

(vii) Legal fees and fees of any independent certified public accountant for services directly related to the operation of the Hotel and its facilities;

(viii) All expenses for advertising the Hotel and all expenses of sales promotion and public relations activities;

(ix) All out-of-pocket expenses and disbursements reasonably incurred by Operator, pursuant to, in the course of, and directly related to, the management and operation of the Hotel under this Agreement, which fees, expenses and disbursements shall be paid out of the Agency Account or paid or reimbursed by Owner to Operator upon demand. Without limiting the generality of the foregoing, such charges may include all reasonable travel, telephone, telegram, facsimile, air express and other incidental expenses and any fees or expenditures required for Operator to operate the Hotel in the given jurisdiction, but, except as otherwise provided in this Agreement, shall not include any of the regular expenses of the central offices maintained by Operator, other than offices maintained at the Hotel exclusively for the management of the Hotel. Operator shall maintain and make available to Owner invoices or other evidence supporting such charges;

(x) The Centralized Accounting Services Fee and any fees or tax levied on those charges by the local jurisdiction;

(xi) Periodic payments made in the ordinary course of business under any applicable franchise agreement;

(xii) Any other item specified as an Operating Expense in this Agreement and

(xiii) Any other cost or charge classified as an Operating Expense or an Administrative and General Expense under the Uniform System unless specifically excluded under the provisions of this Agreement.

B. Operating Expenses shall not include:

(i) Amortization and depreciation;

(ii) The making of or the repayment of any loans or any interest thereon;

(iii) The costs of any alterations, additions or improvements which for Federal income tax purposes or under the Uniform System or GAAP must be capitalized and amortized over the life of such alteration addition or improvement;

(iv) Payments on account of any equipment lease that is to be capitalized under GAAP;

(v) Payments under any ground lease, space lease or easement agreement;

(vi) Payments into or out of the FF&E Reserve Account;

(vii) Operator’s Expenses; or

(viii) Any item defined as a Fixed Charge.

“Operating Supplies” - shall mean the stock and inventories of paper supplies, cleaning materials and similar consumable items and food and beverage.

“Operating Term” - shall mean the Initial Term and any Renewal Term(s).

“Operator” - shall have the meaning set forth in the preamble.

“Operator’s Expenses” - shall mean:

A. Except to the extent set forth in Section 6.1, all costs, expenses, salaries, wages or other compensation of any corporate, regional or other headquarters/corporate level employees of Operator, except to the extent such employees are regularly employed full time at the Hotel by Operator;

B. Any expenses of Operator’s principal or branch offices;

C. Any part of Operator’s capital expenses;

D. Except to the extent set forth in Section 6.1, Operator’s overhead or general expenses, including but not limited to telex, duplicating, stationery and postage expenses incurred at Operator’s principal or branch offices, except as may be expressly assumed by Owner pursuant to the terms of this Agreement;

E. Except to the extent set forth in Section 6.1, all costs and expenses of providing centralized data processing and accounting services to the Hotel;

F. Any expenses for advertising or promotional materials that feature Operator’s name or activities but which do not promote the Hotel, unless and to the extent approved in advance by Owner to be an Operating Expense;

G. Any travel expenses of Operator’s corporate, regional or headquarters office employees for a period that are (i) in excess of the amount shown on the Approved Annual Plan for Operator’s travel expenses for such period (or otherwise approved by Owner) (ii) are not reasonable and necessary travel expenses incurred while engaged in the performance of this Agreement, (iii) in the case of air travel, exceed the coach or economy fare reasonably available under the circumstances for the flight in question; provided, however, that for purposes of including travel expenses in Operating Expenses, all expenses incurred on any trip which includes visits to more than one property managed by Operator or its Affiliates or is otherwise for purposes related to the Hotel and other properties managed by Operator or its Affiliates shall be equitably allocated among all the properties visited or benefited; and

H. Any cost for which Operator is liable under Article XXII or any other provision of this Agreement.

“Operator Indemnitee” - shall have the meaning set forth in Section 22.1.

“Operator IP” - shall have the meaning set forth in Section 18.8.A).

“Owner” - shall have the meaning set forth in the preamble.

"Owner Expenses" - shall mean fixed expenses (e.g., debt service, ground lease payments, capital costs, etc.) that Owner requests Operator to pay on behalf of Owner from the Agency Account.

"Owner Indemnitee" - shall have the meaning set forth in Section 22.1.

"Owner IP" - shall have the meaning set forth in Section 18.8.B).

"Owner Parking Facility Rights" - has the meaning set forth in Section 1.1.

"Owner's Expense Notice" - shall mean Owner's written request and direction (including copies of any material agreements) for Operator to pay Owner Expenses.

"Performance Failure" - has the meaning set forth in Section 18.3(A).

"Procuring Party" - has the meaning set forth in Section 6.2.

"Property Taxes" - shall mean real estate taxes, assessments, personal property taxes and any other ad valorem taxes imposed on or levied in connection with the Hotel, the Installations and the FF&E.

"Proposed Annual Plan" - has the meaning set forth in Section 8.4.

"Proposed Capital Budget" - has the meaning set forth in Section 8.4(B).

"Proposed FF&E Budget" - has the meaning set forth in Section 8.4(C).

"Proposed Operating Budget" - has the meaning set forth in Section 8.4(A).

"QA Scoring Guide" - shall mean the Hilton Worldwide Quality Assurance Evaluation and the equivalent of the same for any successor of Hilton as the Franchisor.

"Quarterly Operating Statements" - has the meaning set forth in Section 8.2(C).

"Renewal Term" - shall mean additional successive terms of one (1) year each, not to exceed five (5) years in the aggregate.

"Renewal Termination Date" - has the meaning set forth in Section 2.1.

"Replacement Hotel Requirements" - has the meaning set forth in Section 18.3(C).

"RevPAR" - shall have the meaning set forth in the Uniform System.

"RevPAR Index" - shall mean the ratio, expressed as a percentage, of (a) the RevPAR of the Hotel to (b) the average RevPAR of the Competitive Set.

"RevPAR Test" - shall have that meaning set forth in Section 18.3(A)(1).

“Standard” - shall mean the physical and operational standard of operation that (a) is equal to or greater than the standard of operation of those hotels comprising the Competitive Set, (b) provides for operation of the Hotel on a seven-day-a-week, twenty-four-hour-a-day basis, with, adequate, staffing to. provide first-class staffing and food, beverage, housekeeping, banquet, security personnel, bellmen and porter services at a level that is equal to, or higher, than those applied at the hotels comprising the Competitive Set, (c) consistently meets the then applicable requirements set forth in the Franchise Agreement, and (d) is intended to maximize the present value of the Hotel.

“Takeover Date” - shall mean the date Operator commences management of the Hotel, which date shall be confirmed by the parties and memorialized by a separate writing executed by both Owner and Operator within five (5) business days following the Takeover Date.

“Tax Contest” - shall mean contesting the validity or amount of any Property Tax.

“Total Revenues” - shall mean:

A. All income, revenue, receipts and proceeds resulting directly or indirectly from the operation of the Hotel and all of its facilities (net of refunds and credits to guests and other items deemed “Allowances” under the Uniform System) which are properly attributable under the Uniform System to the period in question. Subject to subsection (B) below, Total Revenues shall include, without limitation, all amounts derived from:

(i) The rentals of rooms, banquet facilities and conference facilities;

(ii) The sale of food and beverage whether sold in a bar, lounge or restaurant, delivered to a guest room, sold through an in-room facility or vending machines, provided in meeting or banquet rooms or sold through catering operations, including for any events held off-site of Hotel premises;

(iii) Charges for admittance to or the use of any parking facilities, recreational facilities or any entertainment events at the Hotel;

(iv) Rentals paid under Leases, including, without limitation, any Leases for the Chinese Cultural Center, the spa premises, any parking areas, any telecommunications, rooftop antennas or billboards;

(v) Charges for other Hotel services or amenities, including, without limitation, telephone service, in-room movies, laundry services and spa services; and

(vi) The gross revenue amount on which the proceeds of business interruption or similar insurance are determined, with respect to any period for which such proceeds are received.

B. Total Revenues shall not include:

(i) Sales or use taxes or similar governmental impositions collected by Owner or Operator;

(ii) Proceeds of insurance except as set forth in subsection (A) above;

(iii) Proceeds of the sale or condemnation of the Hotel, any interest therein or any other asset of Owner not sold in the ordinary course of business, or the proceeds of any loans or financings;

(iv) Capital contributed by Owner to the Hotel; and

(v) The receipts of. any tenant, licensee or concessionaire under a Lease.

“Unamortized Key Money” - has the meaning set forth in Section 3.8.

“Uniform System” - shall mean the “Uniform System of Accounts” (Eleventh Revised Edition 2014, as further revised from time to time) as adopted by the American Hotel and Motel Association of the United States and Canada.

“Union” - shall mean the Bartenders and Service employees Culinary Local 2; Stationary Engineers Local 39; Front Desk, Accounting, Reservations Teamsters Local 856 and any other labor unions at any time representing Hotel Employees.

“Union Agreement” - shall mean any collective bargaining agreement or other agreement entered into by Operator or Owner with any Union with respect to employees of the Hotel, which has been approved by Owner.

“WARN Act” - shall mean the Worker Adjustment and Retraining Notification Act and/or any similar state or local laws (together with all rules and regulations promulgated thereunder and including, without limitation, any such state or local laws).

EXHIBIT A

Centralized Services

INTERSTATE HOTELS & RESORTS
Breakdown of Reimbursable Costs by Category per month

Changeback/Reimbursement Category

TOTAL CHARGEBACKS/ REIMBURSEMENTS	**$**	**13,226**
Sales & Marketing	**$**	**2,701**

Revenue Management Services, Top Performers Annual Sales Stars of Excellence, Group Sales - Meetings Made Simple (MMS), Smith Travel Research Reports, E-Commerce, Intersate Summer Sales Training

Information Technology	**$**	**6,528**

IT Central Support Services, IHR1 Business Intelligence Portal, E-Mail/lway, Lync, Lawson, PCI Compliance, Help Desk Managed Services, Network Management Services, Firewall Management, Penetration and Phishing Testing, BlackLine

Human Resources	**$**	**3,997**

Workday (HRIS), I-9 Management, Job Marketing, Sourcing and Placement Service, Pre-Hire Assessments, Management Training and College internships, Associate Engagement Survey, Employee Assistance Program, Affirmative Action Plan, Employee Communication, Service Anniversary Program, Core Compliance Training, Preventing Workplace Harassment, Leadership and Skills Development, Wage & Hour / FLSA Training, Foreign Corrupt Practices (FCPA), ECPAT Human Trafficking Awareness, California Legal and Litigation Training, Crisis Communications

EXHIBIT B

Pro Forma Approved Annual Plan

INTERSTATE

Pro Forma Assumptions

Category	Assumption
Hotel:	Hilton San Francisco Financial District
Hotel Status:	Existing
Opening Date:	1970
Current Owner:	Justice Operating Company LLC
Current Operator:	
Tenure:	Fee Simple
Market:	San Francisco/San Mateo
Sub-Market:	San Francisco/Nob Hill/Wharf
Location Type:	Urban
Room Count:	543
Meeting Space:	20,000 sf
Union:	yes
Chain Scale:	Upper Upscale
Current Brand Affiliation:	Hilton Hotels & Resorts
Renovation Cost:	TBD
Renovation per Room:	
Renovation Start (Year):	
Renovation Length:	
Management Fee:	1.7% with additional incentive fee of 10% of excess GOP from prior year starting in year 2.
Royalty Fee:	4% Jan - Dec 2017, 4.5% Through end of Franchise Agreement
F&B Royalty Fee:	0.0%
Marketing Fee:	4.0%
Reserve for Replacement:	4.0%

Key Information

Property Background:	Located in San Francisco's financial district, this upscale 27-story hotel is a 1-mile drive to the Moscone Center convention facility and 4.8 miles' drive to the Golden Gate Bridge. Rooms (with panoramic city or bay views) offer chic decor and custom-designed beds, plus flat-screen TVs and Wi-Fi (fee). Executive rooms and suites provide access to the Executive Lounge's free breakfast and evening appetizers. Suites add living areas and mini-fridges. Amenities include a restaurant, a buffet breakfast (fee), a stylish bar and a wine bar with access to iPads. There's also a 24/7 fitness center, a business center and 20,000 sq. ft. of meeting space.
Revenue Assumptions	We have analyzed the current revenue performance of the hotel believe that there is room for improvement. With a more effective revenue management strategy we would increase rack/retail efficiency and reduce the reliance on discounted rooms. We would also work towards achieving an increase in Group ADR. We believe the property will experience a slight decrease in occupancy, but will achieve a stabilized RevPar penetration of 101%. We are also projecting that the market will bounce back strong in year 3 with the re-opening of the Moscone Convention Center and the property will rebound even stronger.
Expense Assumptions	For expenses we have run comparisons to other IHR managed properties based on brand, size, and geographical location. We have used the average/median CPOR and % of revenue values, as well as historical values, to calculate projected expenses for this property. We are projecting that the property will achieve GOP of 37.6% in year one, increasing to GOP of 40.6% by year 5. Property taxes are estimated based on historical values.

Hilton San Francisco Financial District

543 Rooms

	2013 Actual				2014 Actual				2015 Actual			
Comp Set	Amount	Index		Growth	Amount	Index		Growth	Amount	Index		Growth
Occupancy	[illegible]				[illegible]			-0.6%	89.3%			0.2%
ADR	$ 225.33				$ 249.85			10.9%	$ 264.45			5.8%
RevPAR	$ 199.64				$ 220.12			10.3%	$ 233.51			6.1%
Property												
Rooms Available	196,195				196,195			0.0%	196,195			0.0%
Rooms Sold	179,064				182,296			1.8%	183,874			0.9%
Occupancy	90.3%	102.0%			92.0%	104.4%		1.8%	92.9%	105.1%		0.8%
ADR	$ 217.88	96.6%			$ 241.07	96.5%		10.7%	$ 247.42	93.6%		2.6%
Rooms RevPAR	$ 196.67	98.5%			$ 221.74	100.7%		12.7%	$ 229.54	98.3%		3.5%
Total RevPAR	$ 232.22				$ 259.19			11.6%	$ 272.24			5.0%
Operating Revenue	Amount	$ POR	$ PAR	Margin	Amount	$ POR	$ PAR	Margin	Amount	$ POR	$ PAR	Margin
Rooms	38,979,320	217.68	196.67	84.7%	43,946,999	241.07	221.74	85.5%	45,493,660	247.42	229.54	84.3%
Food & Beverage	6,492,795	36.26	32.76	14.1%	6,612,811	36.28	33.37	12.9%	7,438,289	40.45	37.53	13.8%
Telecom	179,214	1.00	0.90	0.4%	162,974	0.89	0.82	0.3%	156,562	0.85	0.79	0.3%
Minor Operating	159,257	0.89	0.80	0.3%	143,440	0.79	0.72	0.3%	138,115	0.75	0.70	0.3%
Rents & Other	214,410	1.20	1.08	0.5%	504,472	2.77	2.55	1.0%	649,844	3.53	3.28	1.2%
Spa	-	-	-	0.0%	-	-	-	0.0%	79,448	0.43	0.40	0.1%
Parking	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Total Operating Revenue	46,025,005	257.03	232.22	100.0%	51,370,699	281.80	259.19	100.0%	53,956,118	293.44	272.24	100.0%
Departmental Expenses												
Rooms	12,543,525	70.05	63.29	32.2%	13,287,165	72.89	67.04	30.2%	14,212,661	77.30	71.71	31.2%
Food & Beverage	7,275,995	40.63	36.71	112.1%	7,313,474	40.12	36.90	110.6%	7,910,103	43.02	39.91	106.3%
Minor Operating	119,858	0.67	0.60	75.2%	96,771	0.53	0.49	67.5%	94,444	0.51	0.48	68.4%
Rents & Other	-	-	-	0.0%	-	-	-	0.0%		-	-	0.0%
Spa	-	-	-	0.0%	-	-	-	0.0%	331,017	1.80	1.67	416.6%
Parking	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Total Departmental Expenses	19,939,278	111.35	100.60	43.3%	20,697,410	113.54	104.43	40.3%	22,548,425	122.63	113.77	41.8%
Total Departmental Profit	26,085,787	145.68	131.62	56.7%	30,673,289	168.26	154.76	59.7%	31,407,693	170.81	158.47	58.2%
Undistributed Operating Expenses												
Administrative & General	4,241,387	23.69	21.40	9.2%	5,184,390	28.44	26.16	10.1%	5,423,094	29.49	27.36	10.1%
Information & Telecommunication Systems	119,290	0.67	0.60	0.3%	187,506	1.03	0.95	0.4%	600,077	3.26	3.03	1.1%
Sales & Marketing	3,402,255	19.00	17.17	7.4%	3,539,832	19.42	17.86	6.9%	3,456,915	18.80	17.44	6.4%
Utilities	1,162,085	6.49	5.86	2.5%	1,227,115	6.73	6.19	2.4%	1,256,078	6.83	6.34	2.3%
Property Operation & Maintenance	2,133,996	11.92	10.77	4.6%	2,288,126	12.55	11.54	4.5%	2,488,333	13.53	12.55	4.6%
Royalty (Rooms)	2,044,712	11.42	10.32	4.4%	2,267,858	12.44	11.44	4.4%	683,613	3.72	3.45	1.3%
Royalty (Food & Beverage)		-	-	0.0%		-	-	0.0%		-	-	0.0%
Marketing Fee	1,559,173	8.71	7.87	3.4%	1,757,690	9.64	8.87	3.4%	1,819,754	9.90	9.18	3.4%
Franchise Fees (Royalty & Marketing)	3,603,885	20.13	18.15	7.8%	4,025,548	22.08	20.31	7.8%	2,503,368	13.61	12.63	4.6%
Total Undistributed Expenses	14,662,929	81.89	73.98	31.9%	16,452,487	90.25	83.01	32.0%	15,727,863	85.54	79.36	29.1%
Gross Operating Profit	11,422,858	63.79	57.63	24.8%	14,220,799	78.01	71.75	27.7%	15,679,830	85.27	79.11	29.1%
Management Fees	797,819	4.46	4.03	1.7%	303,000	1.66	1.53	0.6%	271,500	1.48	1.37	0.5%
Incentive Management Fees		-	-	0.0%		-	-	0.0%		-	-	0.0%
Income Before Non-Operating Income & Expenses	10,625,039	59.34	53.61	23.1%	13,917,799	76.35	70.22	27.1%	15,408,330	83.80	77.74	28.6%
Non-Operating Income & Expenses												
Real Estate Taxes	572,681	3.20	2.89	1.2%	1,742,928	9.56	8.79	3.4%	1,892,027	10.29	9.55	3.5%
Insurance	482,733	2.70	2.44	1.0%	536,709	2.94	2.71	1.0%	499,927	2.72	2.52	0.9%
Total Non-Operating Income & Expenses	1,055,414	5.89	5.33	2.3%	2,279,637	12.51	11.50	4.4%	2,391,954	13.01	12.07	4.4%
EBITDA	9,569,625	53.44	48.28	20.8%	11,638,162	63.84	58.72	22.7%	13,016,376	70.79	65.67	24.1%
FF&E Reserve	1,841,000	10.28	9.29	4.0%	2,054,828	11.27	10.37	4.0%	2,158,245	11.74	10.89	4.0%
Net Operating Income	7,728,625	43.16	39.00	16.8%	9,583,334	52.57	48.35	18.7%	10,858,131	59.05	54.79	20.1%

NOTE: This analysis is based on assumptions made by Interstate with respect to current economic conditions in the marketplace and projections of these conditions in the future. While we believe the representation or guarantee that the results will be achieved. The projections are only estimates and market conditions and unforeseen circumstances may make adherence to them impractical.

INTERSTATE

Hilton San Francisco Financial District

543 Rooms

	Dec 2016 TTM				Year ends on: 12/31/17 YEAR 1 Projection			
Comp Set	Amount	Index		Growth	Amount	Index		Growth
Occupancy	89.2%			1.0%	88.4%			1.0%
ADR	$ 272.49			3.0%	$ 285.48			4.8%
RevPAR	$ 248.06			4.1%	$ 252.38			3.8%
Property								
Rooms Available	198,715			0.3%	199,655			0.5%
Rooms Sold	184,295			0.2%	179,690			-2.5%
Occupancy	92.7%	104.0%		0.0%	90.0%	101.8%		-3.0%
ADR	$ 252.96	92.8%		2.2%	$ 280.40	98.2%		10.9%
Rooms RevPAR	$ 234.51	95.5%		2.2%	$ 252.36	100.0%		7.6%
Total RevPAR	$ 276.85			1.7%	$ 304.30			9.9%
Operating Revenue	Amount	$ POR	$ PAR	Margin	Amount	$ POR	$ PAR	Margin
Rooms	46,599,255	252.96	234.51	84.7%	50,385,630	280.40	252.37	82.9%
Food & Beverage	6,990,662	37.88	35.13	12.7%	7,367,290	41.00	36.90	12.1%
Telecom	78,648	0.42	0.39	0.1%	89,845	0.50	0.45	0.1%
Minor Operating	129,794	0.70	0.65	0.2%	134,768	0.75	0.68	0.2%
Rents & Other	540,590	2.93	2.72	1.0%	359,380	2.00	1.80	0.6%
Spa	88,525	0.48	0.45	0.2%	-	-	-	0.0%
Parking	598,810	13.45	3.01	1.1%	2,416,831	13.45	12.11	4.0%
Total Operating Revenue	55,015,114	298.52	276.85	100.0%	60,754,052	338.10	304.30	100.0%
Departmental Expenses								
Rooms	13,990,677	75.92	70.41	30.0%	14,008,399	77.96	70.16	27.8%
Food & Beverage	7,791,477	42.28	39.21	111.6%	7,514,636	41.82	37.64	102.0%
Minor Operating	258,659	1.40	1.30	198.8%	87,599	0.49	0.44	65.0%
Rents & Other	-	-	-	0.0%	-	-	-	0.0%
Spa	281,733	1.53	1.42	318.3%	-	-	-	318.3%
Parking	91,139	2.05	0.46	15.2%	604,208	3.36	3.03	25.0%
Total Departmental Expenses	22,413,315	121.62	112.79	40.7%	22,214,841	123.63	111.27	36.6%
Total Departmental Profit	32,601,799	176.90	164.05	59.3%	38,539,210	214.48	193.03	63.4%
Undistributed Operating Expenses								
Administrative & General	5,076,702	27.55	25.55	9.2%	4,580,855	25.49	22.94	7.5%
Information & Telecommunication Systems	860,702	4.67	4.33	1.6%	604,503	3.36	3.03	1.0%
Sales & Marketing	3,459,574	18.77	17.41	6.3%	3,128,834	17.41	15.67	5.2%
Utilities	1,286,365	6.98	6.47	2.3%	1,211,548	6.74	6.07	2.0%
Property Operation & Maintenance	2,528,669	13.72	12.73	4.6%	2,453,249	13.65	12.29	4.0%
Royalty (Rooms)	3,016,043	16.37	15.18	5.5%	1,698,771	9.45	8.51	2.8%
Royalty (Food & Beverage)	-	-	-	0.0%	-	-	-	0.0%
Marketing Fee		-	-	0.0%	2,015,438	11.22	10.09	3.3%
Franchise Fees (Royalty & Marketing)	3,016,043	16.37	15.18	5.5%	3,714,208	20.67	18.60	6.1%
Total Undistributed Expenses	16,228,275	88.06	81.67	29.5%	15,693,297	87.34	78.60	25.8%
Gross Operating Profit	16,373,524	88.84	82.40	29.8%	22,845,913	127.14	114.43	37.6%
Management Fees	235,600	1.28	1.19	0.4%	1,032,819	5.75	5.17	1.7%
Incentive Management Fees		-	-	0.0%		-	-	0.0%
Income Before Non-Operating Income & Expenses	16,138,024	87.57	81.21	29.3%	21,813,094	121.39	109.25	35.9%
Non-Operating Income & Expenses								
Real Estate Taxes	1,942,097	10.54	9.77	3.5%	2,035,896	11.33	10.20	3.4%
Insurance	441,211	2.39	2.22	0.8%	451,294	2.51	2.26	0.7%
Total Non-Operating Income & Expenses	2,383,308	12.93	11.99	4.3%	2,487,190	13.84	12.46	4.1%
EBITDA	13,754,716	74.63	69.22	25.0%	19,325,905	107.55	96.80	31.8%
FF&E Reserve	2,210,658	12.00	11.12	4.0%	2,430,162	13.52	12.17	4.0%
Net Operating Income	11,544,058	62.64	58.09	21.0%	16,895,743	94.03	84.62	27.8%

	12/31/18 YEAR 2 Projection				12/31/19 YEAR 3 Projection			
Comp Set	Amount	Index		Growth	Amount	Index		Growth
Occupancy	87.5%			-1.0%	88.4%			0.0%
ADR	$ 295.47			3.5%	$ 305.81			3.5%
RevPAR	$ 258.59			2.5%	$ 270.31			4.5%
Property								
Rooms Available	202,393			1.4%	203,670			0.6%
Rooms Sold	182,154			1.4%	183,303			0.6%
Occupancy	90.0%	102.8%		0.0%	90.0%	101.8%		0.0%
ADR	$ 290.19	98.2%		3.5%	$ 303.35	99.2%		4.5%
Rooms RevPAR	$ 261.17	101.0%		3.5%	$ 273.02	100.0%		4.5%
Total RevPAR	$ 314.66			3.4%	$ 328.11			4.3%
Operating Revenue	Amount	$ POR	$ PAR	Margin	Amount	$ POR	$ PAR	Margin
Rooms	52,859,259	290.19	261.17	83.0%	55,604,878	303.35	273.02	83.2%
Food & Beverage	7,692,363	42.23	38.01	12.1%	7,973,112	43.50	39.15	11.9%
Telecom	93,574	0.51	0.46	0.1%	96,989	0.53	0.48	0.1%
Minor Operating	140,714	0.77	0.70	0.2%	145,850	0.80	0.72	0.2%
Rents & Other	375,207	2.06	1.85	0.6%	388,932	2.12	1.91	0.6%
Spa	-	-	-	0.0%	-	-	-	0.0%
Parking	2,523,470	13.85	12.47	4.0%	2,615,570	14.27	12.84	3.9%
Total Operating Revenue	63,684,619	349.62	314.66	100.0%	66,825,429	364.56	328.11	100.0%
Departmental Expenses								
Rooms	14,456,652	79.37	71.43	27.3%	14,636,799	79.85	71.86	26.7%
Food & Beverage	7,846,211	43.07	38.77	102.0%	8,132,575	44.37	39.93	102.0%
Minor Operating	35,178	0.19	0.17	25.0%	36,462	0.20	0.18	25.0%
Rents & Other	-	-	-	0.0%	-	-	-	0.0%
Spa	-	-	-	318.3%	-	-	-	318.3%
Parking	630,868	3.46	3.12	25.0%	653,892	3.57	3.21	25.0%
Total Departmental Expenses	22,968,909	126.10	113.49	36.1%	23,661,729	129.08	116.18	35.4%
Total Departmental Profit	40,715,710	223.52	201.17	63.9%	43,163,700	235.48	211.93	64.6%
Undistributed Operating Expenses								
Administrative & General	4,229,113	23.22	20.90	6.6%	4,373,959	23.86	21.47	6.5%
Information & Telecommunication Systems	619,615	3.40	3.06	1.0%	635,106	3.46	3.12	1.0%
Sales & Marketing	3,013,068	16.54	14.89	4.7%	3,114,723	16.99	15.29	4.7%
Utilities	1,241,940	6.82	6.14	2.0%	1,272,988	6.94	6.25	1.9%
Property Operation & Maintenance	2,514,580	13.80	12.42	3.9%	2,577,444	14.06	12.66	3.9%
Royalty (Rooms)	2,062,000	11.32	10.19	3.2%	2,185,557	11.92	10.73	3.3%
Royalty (Food & Beverage)	-	-	-	0.0%	-	-	-	0.0%
Marketing Fee	2,114,370	11.61	10.45	3.3%	2,224,199	12.13	10.92	3.3%
Franchise Fees (Royalty & Marketing)	4,176,370	22.93	20.63	6.6%	4,409,756	24.06	21.65	6.6%
Total Undistributed Expenses	15,794,686	86.71	78.04	24.8%	16,383,576	89.38	80.44	24.5%
Gross Operating Profit	24,921,025	136.81	123.13	39.1%	26,780,125	146.10	131.49	40.1%
Management Fees	1,082,630	5.94	5.35	1.7%	1,136,032	6.20	5.58	1.7%
Incentive Management Fees	207,511	1.14	1.03	0.3%	185,910	1.01	0.91	0.3%
Income Before Non-Operating Income & Expenses	23,630,874	129.73	116.76	37.1%	25,458,182	138.89	125.00	38.1%
Non-Operating Income & Expenses								
Real Estate Taxes	2,076,014	11.40	10.26	3.3%	2,116,146	11.55	10.40	3.2%
Insurance	462,576	2.54	2.29	0.7%	474,141	2.59	2.33	0.7%
Total Non-Operating Income & Expenses	2,538,590	13.94	12.55	4.0%	2,592,287	14.14	12.73	3.9%
EBITDA	21,091,884	115.79	104.21	33.1%	22,865,896	124.74	112.27	34.2%
FF&E Reserve	2,547,385	13.98	12.59	4.0%	2,673,017	14.58	13.12	4.0%
Net Operating Income	18,544,299	101.81	91.63	29.1%	20,192,879	110.16	99.15	30.2%

	12/31/20 YEAR 4 Projection				12/31/21 YEAR 5 Projection			
Comp Set	Amount	Index		Growth	Amount	Index		Growth
Occupancy	88.4%			0.0%	88.4%			0.0%
ADR	$ 314.99			3.0%	$ 324.44			3.0%
RevPAR	$ 278.43			3.0%	$ 286.77			3.0%
Property								
Rooms Available	204,228			0.3%	203,670			-0.3%
Rooms Sold	183,806			0.3%	183,303			-0.3%
Occupancy	90.0%	101.8%		0.0%	90.0%	101.8%		0.0%
ADR	$ 312.45	99.2%		3.0%	$ 321.82	99.2%		3.0%
Rooms RevPAR	$ 281.21	101.0%		3.0%	$ 289.64	100.0%		3.0%
Total RevPAR	$ 337.95			3.0%	$ 348.09			3.0%
Operating Revenue	Amount	$ POR	$ PAR	Margin	Amount	$ POR	$ PAR	Margin
Rooms	57,429,976	312.45	281.21	83.2%	58,991,319	321.82	289.64	83.2%
Food & Beverage	8,234,796	44.80	40.32	11.9%	8,458,675	46.15	41.53	11.9%
Telecom	100,173	0.54	0.49	0.1%	102,686	0.56	0.51	0.1%
Minor Operating	150,637	0.82	0.74	0.2%	154,732	0.84	0.76	0.2%
Rents & Other	401,897	2.19	1.97	0.6%	412,618	2.25	2.03	0.6%
Spa	-	-	-	0.0%	-	-	-	0.0%
Parking	2,701,415	14.70	13.23	3.9%	2,774,656	15.14	13.62	3.9%
Total Operating Revenue	69,018,893	375.50	337.95	100.0%	70,895,098	386.76	348.09	100.0%
Departmental Expenses								
Rooms	15,177,026	82.57	74.31	26.4%	15,438,287	84.22	75.80	26.2%
Food & Beverage	8,399,492	45.70	41.13	102.0%	8,627,848	47.07	42.36	102.0%
Minor Operating	37,659	0.20	0.18	25.0%	38,683	0.21	0.19	25.0%
Rents & Other	-	-	-	0.0%	-	-	-	0.0%
Spa	-	-	-	318.3%	-	-	-	318.3%
Parking	675,354	3.67	3.31	25.0%	693,714	3.78	3.41	25.0%
Total Departmental Expenses	24,289,531	132.15	118.93	35.2%	24,798,533	135.28	121.76	35.0%
Total Departmental Profit	44,729,162	243.35	219.02	64.8%	46,096,565	251.48	226.33	65.0%
Undistributed Operating Expenses								
Administrative & General	4,495,963	24.46	22.01	6.5%	4,612,136	25.16	22.65	6.5%
Information & Telecommunication Systems	650,983	3.54	3.19	0.9%	667,258	3.64	3.28	0.9%
Sales & Marketing	3,201,475	17.42	15.68	4.6%	3,284,078	17.92	16.12	4.6%
Utilities	1,304,613	7.10	6.39	1.9%	1,337,433	7.30	6.57	1.9%
Property Operation & Maintenance	2,641,889	14.37	12.94	3.8%	2,707,927	14.77	13.30	3.8%
Royalty (Rooms)	2,267,692	12.34	11.10	3.3%	2,337,942	12.75	11.48	3.3%
Royalty (Food & Beverage)	-	-	-	0.0%	-	-	-	0.0%
Marketing Fee	2,297,199	12.50	11.25	3.3%	2,359,653	12.87	11.59	3.3%
Franchise Fees (Royalty & Marketing)	4,564,891	24.84	22.35	6.6%	4,697,595	25.63	23.06	6.6%
Total Undistributed Expenses	16,859,996	91.73	82.55	24.4%	17,306,428	94.41	84.97	24.4%
Gross Operating Profit	27,869,165	151.62	136.46	40.4%	28,790,137	157.06	141.36	40.6%
Management Fees	1,173,318	6.38	5.75	1.7%	1,205,217	6.57	5.92	1.7%
Incentive Management Fees	108,904	0.59	0.53	0.2%	92,097	0.50	0.45	0.1%
Income Before Non-Operating Income & Expenses	26,586,944	144.65	130.18	38.5%	27,492,824	149.99	134.99	38.8%
Non-Operating Income & Expenses								
Real Estate Taxes	2,160,509	11.75	10.58	3.1%	2,203,719	12.02	10.82	3.1%
Insurance	485,994	2.64	2.38	0.7%	498,144	2.72	2.45	0.7%
Total Non-Operating Income & Expenses	2,646,503	14.40	12.96	3.8%	2,701,863	14.74	13.27	3.8%
EBITDA	23,940,440	130.25	117.22	34.7%	24,790,960	135.25	121.72	35.0%
FF&E Reserve	2,760,748	15.02	13.52	4.0%	2,835,804	15.47	13.92	4.0%
Net Operating Income	21,179,693	115.23	103.71	30.7%	21,955,156	119.78	107.80	31.0%

NOTE: This analysis is based on assumptions made by Interstate with respect to current economic conditions in the marketplace and projections of those conditions in the future. While we believe these projections are reasonable, Interstate makes no representation or guarantee that the results will be achieved. The projections are only estimates and market conditions and unforeseen circumstances may make adherence to them impractical.

Hilton San Francisco Financial District
Supply & Demand (1)

MARKET	Year Open	2013 Actual	2014 Actual	2015 Actual	Nov-16 TTM	Fiscal Year Ending in December 2017 Year 1	2018 Year 2	2019 Year 3	2020 Year 4	2021 Year 5
Hilton San Francisco Financial District	1970	543	543	543	543	543	543	543	543	543
The Stanford Court San Francisco	1973	393	393	393	393	393	393	393	393	393
Grand Hyatt San Francisco	1973	660	660	660	660	660	660	660	660	660
Hyatt Regency San Francisco	1973	804	804	804	804	804	804	804	804	804
Hilton Parc 55 San Francisco	1984	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024
Hilton San Francisco Union Square	1964	1,919	1,919	1,919	1,919	1,919	1,919	1,919	1,919	1,919
The Park Central San Francisco	1983	681	681	681	681	681	681	681	681	681
Le Meridien San Francisco	1989	360	360	360	360	360	360	360	360	360
Omni San Francisco Hotel	2002	362	362	362	362	362	362	362	362	362
Comp Set Rooms		6,203	6,203	6,203	6,203	6,203	6,203	6,203	6,203	6,203
Total Rooms		6,746	6,746	6,746	6,746	6,746	6,746	6,746	6,746	6,746
Comp Set Room Nights		2,264,095	2,264,095	2,264,095	2,264,095	2,264,095	2,264,095	2,264,095	2,270,298	2,264,095
Total Room Nights		2,462,290	2,462,290	2,462,290	2,462,833	2,462,290	2,462,290	2,462,290	2,469,036	2,462,290
	Change in Supply				0.0%	0.0%			0.3%	-0.3%
Comp Set Occupied Room Nights		2,005,988	1,994,668	1,999,196	2,019,573	2,001,618	1,981,602	2,001,418	2,006,902	2,001,418
Total Occupied Room Nights		2,185,052	2,176,964	2,183,070	2,203,868	2,179,994	2,159,978	2,179,794	2,185,766	2,179,794
	Change in Demand		-0.4%	0.3%	1.0%	-1.1%	-0.9%	0.9%	0.3%	-0.3%
Comp set Occupancy		88.6%	88.1%	88.3%	89.2%	88.4%	87.5%	88.4%	88.4%	88.4%
	Change in Occ %		-0.6%	0.2%	1.0%	-1.0%	-1.0%	1.0%	0.0%	0.0%
Comp set ADR		$ 225.33	$ 249.85	$ 264.45	$ 272.49	$ 285.48	$ 295.47	$ 305.81	$ 314.99	$ 324.44
	Change in ADR		10.9%	5.8%	3.0%	4.8%	3.5%	3.5%	3.0%	3.0%
Comp set RevPAR		$ 199.64	$ 220.12	$ 233.51	$ 243.06	$ 252.38	$ 258.61	$ 270.33	$ 278.44	$ 286.80
	Change in RevPAR		10.3%	6.1%	4.1%	3.8%	2.5%	4.5%	3.0%	3.0%
SUBJECT PROPERTY										
Room Nights		198,195	198,195	198,195	198,738	198,195	198,195	198,195	198,738	198,195
	Change in Supply				0.3%	-0.3%			0.3%	-0.3%
Occupied Room Nights		179,064	182,296	183,874	184,295	178,376	178,376	178,376	178,864	178,376
	Change in Demand		1.8%	0.9%	0.2%	-3.2%	0.0%	0.0%	0.3%	-0.3%
Occupancy		90.3%	92.0%	92.8%	92.7%	90.0%	90.0%	90.0%	90.0%	90.0%
	Change in Occ%		1.8%	0.9%	0.0%	-2.9%	0.0%	0.0%	0.0%	0.0%
	Penetration	102.0%	104.4%	105.1%	104.0%	101.8%	102.8%	101.8%	101.8%	101.8%
Rate		$ 217.68	$ 241.07	$ 247.42	$ 252.86	$ 280.43	$ 290.21	$ 303.37	$ 312.48	$ 321.85
	Change in ADR		10.7%	2.6%	2.2%	10.9%	3.5%	4.5%	3.0%	3.0%
	Penetration	96.6%	96.5%	93.6%	92.8%	98.2%	98.2%	99.2%	99.2%	99.2%
RevPAR		$ 196.67	$ 221.74	$ 229.54	$ 234.48	$ 252.38	$ 261.19	$ 273.04	$ 281.23	$ 289.66
	Change in RevPAR		12.7%	3.6%	2.2%	7.6%	3.5%	4.5%	3.0%	3.0%
	Penetration	98.5%	100.7%	98.3%	96.5%	100.0%	101.0%	101.0%	101.0%	101.0%

1. Source: Dec 2016 STR Report.

INTERSTATE
HOTELS & RESORTS

Interstate Comparable Properties 2015 T12 BudCast									
	#1	#2	#3	#4	#5	#6	IHR Comp Average	Current T12 Results	Projected Results - Year 1
Rooms	329	480	496	531	469	436	457	543	543
Occ%	79.80%	82.00%	97.30%	88.90%	83.90%	85.30%	86.20%	92.74%	90.00%
ADR	148.19	110.35	191.22	235.64	163.28	185.55	172.37	252.86	$ 280.40
Room Revenue	14,237,719	15,890,086	33,792,000	40,702,073	23,521,561	25,245,891	25,564,888	46,599,995	50,385,939
F&B Revenue	9,660,565	7,574,130	4,264,861	3,070,417	6,677,550	7,232,622	6,413,358	6,980,662	7,367,290
F&B Rev. POR	100.55	52.60	24.13	17.78	46.35	53.16	49.09	37.88	41.00
Other Revenue	1,320,720	230,642	2,102,207	3,556,255	1,111,780	1,871,048	1,698,775	747,122	583,993
Total Revenue	22,549,004	23,694,857	40,159,067	47,328,744	31,310,891	34,349,561	33,232,021	55,015,114	60,754,052
Rooms Expense	2,722,048	4,306,729	10,759,342	12,486,236	6,068,263	4,761,084	6,850,617	13,990,877	14,008,399
Rooms Exp. POR	28.33	29.91	60.88	72.29	42.12	34.99	44.75	75.92	77.96
F&B Expense	4,967,668	4,611,593	4,820,634	3,246,213	5,099,040	4,004,705	4,458,309	7,791,477	7,514,636
F&B Exp % of FB Rev.	51.42%	60.89%	113.03%	105.73%	76.36%	55.37%	77.13%	111.62%	102.00%
A&G $	1,792,318	2,003,097	2,528,506	2,929,419	2,771,231	2,467,268	2,415,307	5,076,702	4,580,855
A&G Exp. % of Rev.	7.95%	8.45%	6.30%	6.19%	8.85%	7.18%	7.49%	9.23%	7.54%
A&G Exp POR	18.65	13.91	14.31	16.96	19.24	18.13	16.87	27.55	25.49
A&G Exp PAR	14.88	11.40	13.93	15.07	16.14	15.46	14.48	25.55	22.94
I&T $	139,227	278,089	616,324	801,442	544,923	581,109	493,519	860,702	604,503
I&T Exp. % of Rev.	0.62%	1.17%	1.53%	1.69%	1.74%	1.69%	1.41%	1.56%	1.00%
I&T Exp POR	1.45	1.93	3.49	4.64	3.78	4.27	3.26	4.67	3.36
I&T Exp PAR	1.16	1.58	3.40	4.12	3.17	3.64	2.85	4.33	3.03
S&M $	1,536,094	1,540,167	1,592,947	2,221,367	2,452,604	2,220,706	1,927,314	3,459,574	3,128,834
S&M Exp. % of Rev.	6.81%	6.50%	3.97%	4.69%	7.83%	6.47%	6.05%	6.29%	5.15%
S&M Exp POR	15.99	10.70	9.01	12.86	17.02	16.32	13.65	18.77	17.41
S&M Exp PAR	12.76	8.77	8.77	11.43	14.29	13.92	11.66	17.41	15.67
Util. $	551,446	791,894	861,569	961,271	803,312	685,555	775,841	1,286,365	1,211,648
Utilities Exp. % of Rev	2.45%	3.34%	2.15%	2.03%	2.57%	2.00%	2.42%	2.34%	1.99%
Utilities Exp. POR	5.74	5.50	4.88	5.57	5.58	5.04	5.38	6.98	6.74
R&M $	875,396	840,008	1,773,304	2,090,412	945,254	1,850,833	1,395,868	2,528,889	2,453,249
Repairs Exp. % of Rev	3.88%	3.55%	4.42%	4.42%	3.02%	5.39%	4.11%	4.60%	4.04%
Repairs POR	9.11	5.83	10.03	12.10	6.56	13.60	9.54	13.72	13.65
Repairs PAR	7.27	4.78	9.77	10.76	5.51	11.60	8.28	12.73	12.29
GOP %	33.90%	32.20%	38.40%	41.10%	33.60%	42.60%	36.97%	29.76%	37.60%
Annual Available Room	120414	175680	181536	194346	171654	159576		198715	199655
Annual Occupied Rooms	96078	143995	176721	172730	144059	136059		184295	179690

San Francisco Hilton Financial District proforma tn 1 13 17 1/23/2017 3:18 PM

EXHIBIT C

Form of Daily Cash Management Excel Spreadsheet

943-Justice Investors (Hilton San Fran)

Accounts Payable Aging Report

#943- Hilton San Francisco Financial District Vendors

Vendor	0-30	31-60	61-90	91+	Total
A2Z	0.00	2,845.17	0.00	0.00	2,845.17
ACCO Engineered Systems	4,434.22	3,642.00	0.00	0.00	8,076.22
Aire-Master of the North Bay	120.00	120.00	0.00	0.00	240.00
AIRGAS NCN	88.59	0.00	0.00	0.00	88.59
All Things Meetings Inc.	1,015.00	0.00	0.00	0.00	1,015.00
American Hotel Register Co.	0.00	0.00	0.00	0.00	0.00
American Refrigeration Supplies Inc.	0.00	286.33	0.00	0.00	286.33
AT & T Mobility #287262173083	2,681.30	0.00	0.00	0.00	2,681.30
AT & T Wi-Fi Services	1,981.00	0.00	0.00	0.00	1,981.00
Bespoke Travel, LLC	0.00	554.73	0.00	0.00	554.73
Blue Eagle Products, Inc	0.00	168.37	0.00	0.00	168.37
Blue Ribbon Supply Company	7.07	0.00	0.00	0.00	7.07
Bon Air Service, Inc.	540.75	0.00	0.00	0.00	540.75
Boston Properties	350.00	0.00	0.00	0.00	350.00
California Beverage Systems, Inc	172.71	0.00	0.00	0.00	172.71
Captivate LLC; Attn: Accounts Receivable	0.00	3,932.12	0.00	0.00	3,932.12
CBF, Inc.	638.65	118.98	0.00	0.00	757.63
ChemsearchFE	712.32	1,136.66	0.00	0.00	1,848.98
Cintas Corporation	0.00	786.23	0.00	0.00	786.23
Cintas Corporation #464	1,803.83	2,905.03	0.00	0.00	4,708.86
Clear Blue Energy Corp	0.00	2,580.00	0.00	0.00	2,580.00
Comcast 900011866	2,027.07	2,058.00	0.00	0.00	4,085.07
Consider It Done	532.00	0.00	0.00	0.00	532.00
Cvent, Inc.	0.00	0.00	10,321.00	0.00	10,321.00
DBI Beverage San Francisco	521.15	0.00	0.00	0.00	521.15
DIRECTV #005003666 Flyte Bar	391.98	0.00	0.00	0.00	391.98
Doris Grover	116.25	0.00	0.00	0.00	116.25
Dow Jones & Company	0.00	381.02	0.00	0.00	381.02
Ecolab Food Safety Specialties	731.36	0.00	0.00	0.00	731.36
Ecolab Pest Elimination Division	1,808.18	1,808.18	0.00	0.00	3,616.36
EDC Technologies,Inc.	400.00	0.00	0.00	0.00	400.00
Electro Imaging Systems, INC	1,795.68	0.00	0.00	0.00	1,795.68
Electro Imaging Systems, Inc	90.83	0.00	0.00	0.00	90.83
Encore Oils	100.00	0.00	0.00	0.00	100.00
Expedia Travel	500.00	0.00	0.00	0.00	500.00
FedEx - Acct#1175-5837-1	46.48	0.00	0.00	0.00	46.48
FedEx - Acct#6734-5372-4	30.91	0.00	0.00	0.00	30.91
Financial District Hardware	236.41	885.17	0.00	0.00	1,121.58
Golden Gate Meat Company, INC.	2,026.49	1,679.67	0.00	0.00	3,706.16
Gourmet Foods, Inc	9,996.58	4,179.32	0.00	0.00	14,175.90
Grainger	0.00	1,730.89	473.48	0.00	2,204.37
Granite Telecommunications	1,484.57	1,444.87	0.00	0.00	2,929.44
Guest Supply, LLC	31,631.08	3,007.83	0.00	0.00	34,638.91
Gym Precision Inc.	145.00	0.00	0.00	0.00	145.00
HD Supply Facilities Maintenance	0.00	610.96	367.32	0.00	978.28
Hilton Hawaiian Village	0.00	0.00	1,375.39	0.00	1,375.39
Hilton Hotels Corporation	296,475.34	305,779.14	1,510.30	0.00	603,764.78
Hilton San Francisco	497.19	0.00	0.00	0.00	497.19
Industrial Plumbing Supply	4,337.84	1,670.00	0.00	0.00	6,007.84
InterCity Metro Cleaners INC.	3,886.62	0.00	0.00	0.00	3,886.62
International Pastry	112.70	0.00	0.00	0.00	112.70
J. Spargo & Associates, Inc	17,702.10	0.00	0.00	0.00	17,702.10
JC Technologies Inc.	49.50	0.00	0.00	0.00	49.50
JEZ Enterprises	870.00	0.00	0.00	0.00	870.00
Judgebuilt	1,135.00	0.00	0.00	0.00	1,135.00
Karcher North America, Inc	0.00	576.67	0.00	0.00	576.67
KONE INC.	15,379.60	16,841.46	2,725.70	0.00	34,946.76
Law Office of Peter Michaels	0.00	0.00	4,082.50	0.00	4,082.50
Leader Printing & Graphic Inc	174.00	0.00	0.00	0.00	174.00
M&M Baking Products, Inc	1,183.30	966.90	0.00	0.00	2,150.20
M3 Accounting Services, Inc.	800.73	0.00	0.00	0.00	800.73
Matagrano, Inc	800.70	0.00	0.00	0.00	800.70
McMaster-Carr Supply Co.	473.55	0.00	0.00	0.00	473.55
Milestone Internet Marketing	1,409.65	1,409.65	0.00	0.00	2,819.30
Mission Linen Supply - Acct#238665	858.72	1,529.36	0.00	0.00	2,388.08

943-Justice Investors (Hilton San Fran)

Accounts Payable Aging Report

#943- Hilton San Francisco Financial District Vendors

Vendor	0-30	31-60	61-90	91+	Total
Mission Linen Supply - Acct#278603	1,119.90	567.00	0.00	0.00	1,686.90
Modus eDiscovery, Inc	0.00	894.35	0.00	0.00	894.35
Mr. Bathtub, Inc	0.00	3,562.00	1,700.00	0.00	5,262.00
Natalini Flowers by Crispy	376.25	732.50	0.00	0.00	1,108.75
Newport Fish Co.	2,083.11	415.16	0.00	0.00	2,498.27
Nor1, Inc	1,323.45	1,797.30	0.00	0.00	3,120.75
Northern California World Trade Center	0.00	2,682.00	0.00	0.00	2,682.00
Office Depot	164.95	1,249.35	0.00	0.00	1,414.30
Onyx Meetings & Events	0.00	1,345.00	0.00	0.00	1,345.00
Open Table, Inc	372.60	0.00	0.00	0.00	372.60
Ovation Travel Group	2,399.00	0.00	0.00	0.00	2,399.00
Pacific Seafood	13,025.05	2,836.43	0.00	0.00	15,861.48
Pan-O-Rama Bakery	990.02	536.25	0.00	0.00	1,526.27
Parc 55 San Francisco a Hilton Hotel	192.14	0.00	0.00	0.00	192.14
Peninsulators, Inc.	1,840.00	1,040.00	0.00	0.00	2,880.00
Perkins Cole LLP	0.00	0.00	0.00	19,283.50	19,283.50
Peterson Communications Groups	1,160.00	1,160.00	0.00	0.00	2,320.00
Pitney Bowes Global Fin. Svc.	0.00	1,052.68	0.00	0.00	1,052.68
Plant Domaine	840.00	4,621.03	0.00	0.00	5,461.03
Playnetwork, Inc.	86.86	87.09	0.00	0.00	173.95
Positive Promotions, Inc	0.00	202.30	0.00	0.00	202.30
ProfitSword, LLC	1,450.00	0.00	0.00	0.00	1,450.00
PSAV Presentation Services	7,032.38	7,869.06	53,104.34	6,984.12	74,989.90
R.W. Smith & Co.	0.00	864.08	0.00	0.00	864.08
Randstad	1,390.92	0.00	0.00	0.00	1,390.92
Recology Sunset Scavenger	7,539.17	0.00	0.00	0.00	7,539.17
Reed Smith LLP	0.00	0.00	0.00	550.00	550.00
Regency Enterprises Inc.	300.93	1,265.07	0.00	0.00	1,566.00
Reliable Travel Orlando	0.00	0.00	1,291.20	0.00	1,291.20
Royal Cup Inc.	991.57	987.81	0.00	0.00	1,979.38
Saflok	0.00	1,022.86	0.00	0.00	1,022.86
San Francisco Chronicle #138090	31.25	31.25	0.00	0.00	62.50
San Francisco Fine Bakery	3,190.36	0.00	0.00	0.00	3,190.36
San Francisco Specialty Produce	7,949.19	0.00	0.00	0.00	7,949.19
SESAC	0.00	7,883.00	0.00	0.00	7,883.00
SF Specialty Food Co	2,691.40	1,463.89	0.00	0.00	4,155.29
Sharon Stitzel	73.10	0.00	0.00	0.00	73.10
Sidley Austin LLP	106,046.93	0.00	9,400.50	0.00	115,447.43
SimplexGrinnell, LP	3,892.36	4,364.36	0.00	0.00	8,256.72
Sonifi Solutions Inc.	13,884.40	10,087.91	0.00	0.00	23,972.31
Southern Wine & Spirits	7,378.02	0.00	0.00	0.00	7,378.02
STR Inc.	1,325.00	0.00	0.00	0.00	1,325.00
SupplyWorks	481.01	0.00	0.00	0.00	481.01
Sweet Production, Inc.	2,627.85	2,915.55	0.00	0.00	5,543.40
The Bernheim Law Firm	44,123.06	0.00	0.00	0.00	44,123.06
The Macellaro Firm	0.00	0.00	26,556.61	0.00	26,556.61
The Marlin Company	189.88	0.00	0.00	0.00	189.88
The Rainmaker Group Las Vegas, LLC	0.00	1,400.00	0.00	0.00	1,400.00
The Regal Press, Inc.	0.00	943.68	0.00	0.00	943.68
TravelCLICK, Inc	0.00	3,405.00	0.00	4,970.00	8,375.00
Truly Goods Foods	231.22	0.00	0.00	0.00	231.22
U S A Today	397.00	377.15	0.00	0.00	774.15
U.S. Travel Association	7,150.00	0.00	0.00	0.00	7,150.00
United California Access & Security Systems	0.00	937.30	0.00	0.00	937.30
US Food Service	37,698.55	7,022.84	0.00	0.00	44,721.39
VDA	0.00	0.00	0.00	12,180.00	12,180.00
Warman Security	0.00	443.06	0.00	0.00	443.06
Washington Bakery & Restaurant	4,571.50	3,080.50	0.00	0.00	7,652.00
West Coast Linen Services	0.00	0.00	0.00	0.00	0.00
Western Machinery Electric	973.23	0.00	0.00	0.00	973.23
Whaley Parts & Supply	0.00	3,050.57	909.57	0.00	3,960.14
Wine Warehouse	1,277.00	0.00	0.00	0.00	1,277.00
Young's Market Company	1,953.00	0.00	0.00	0.00	1,953.00
Grand Total	**708,117.61**	**449,830.09**	**113,817.91**	**43,967.62**	**1,315,733.23**

Hilton San Francisco Financial District
DAILY CASH UPDATE
1-Feb-17

Available Balance Wells Fargo			$	1,896,319.71		
Less Outstanding checks						
AP Checks Issued		(611,876.38)				
Ap Checks on hold		-				
Payroll Checks Issued		(1,012.16)				
				(612,888.54)		
Total Available for Disbursements				1,283,431.17		
Cash/Credit Card In Transit						
VS/MC	01/23/17	64,188.66				
AMEX	1/21/17 - 1/23/17	64,483.42				
			$	**128,672.08**		
GL/AR & AP Balance						
GL/AR Balance		740,479.09				
AP Balance		(1,315,733.23)				
				(575,254.14)		
				Total	*$*	***836,849.11***

Wells Fargo
Projected Occupancy
Available Bank Balance
Estimated Cash from Revenue
GCR/Cash Deposits
Credit Card Revenue
Net Direct - Hilton Adv Res
Transfer from Kearny St. Parking
United/Continental/Virgin/XL
Other/Misc. Transfers
Group Check outs -CC Mop
A/R Payments
Total cash receipts
Less Outstanding Checks/Withdrawals
Bank Fees on 8th business day
Payroll
Accounts Payable
AP Large Checks
Kearny ST. Parking
Legal
Justice - Loan/Distribution
Leasing Company 6th
Insurance - Alliant, IPFS, Nationwide
Occupancy Tax
State Board of Equalization Sales Tax
CTTC (due Aug 10th)
TID
Intergroup
Portsmouth
Evon
Payroll & Gross Receipts Tax
Union H&W - Local 2
Union H&W - Other
Hilton Hotels Corp - Fees
Prism - Fees & Insurance
Ace Parking - monthly revenue
Ace Wages & Salaries
Ace Reimbursement Invoice
Justice CEP
Total cash disbursements
Available Cash Balance

DATE	02-Jan-17 Mon	04-Jan-17 Wed	05-Jan-17 Thu	06-Jan-17 Fri	09-Jan-17 Mon	10-Jan-17 Tue	11-Jan-17 Wed	12-Jan-17 Thu	13-Jan-17 Fri	17-Jan-17 Tue	18-Jan-17 Wed	19-Jan-17 Thu
UNITED COMMERCIAL BANK # 0063616353												
BEGINNING BALANCE	1,957,700.76	1,624,360.27	1,714,478.00	1,638,938.43	1,739,548.73	1,311,810.11	1,113,237.26	832,229.21	909,897.49	1,032,655.46	1,825,322.25	1,354,457.53
DEPOSITS												
Transfers To/From Cash Mger - 636163537												
UCR/CASH DEPOSITS	3,313.55	2,877.68		6.54		2,828.54	29.88		1,763.05	16,829.97	2,157.12	
NET DIRECT - Hilton Adv Res				63,340.92					70,970.56			
TRAVELSCAPE/EXPEDIA												
Kearny St. Parking	26,000.00				29,000.00							
Credit Memo/Owners Contri.												
VIRGIN					174,522.54			154,248.79				223,977.20
MISC WIRE TRANSFERS			5,704.74	406.41	3,000.00			1,248.35			2,286.00	
TOTAL DEPOSITS	29,313.55	2,877.68	5,704.74	63,753.87	206,522.54	2,828.54	29.88	155,497.14	72,733.61	16,829.97	4,443.12	223,977.20
WITHDRAWALS												
Transfers To/From Cash Mger - 636163537,												
Loan												
Other	10,916.65											
BANK SERVICES							1,474.51	77,345.49				
Evon Monthly Pymt					825,000.00							
A/P CHECKS CLEARED	661,446.15		153,701.98	38,936.50	15,799.26	32,277.83	70,015.04	11,725.39	117,755.25	152,055.30	524,232.86	91,324.42
PAYROLL CHECKS CLEARED	29,840.09	7,205.13	4,754.28	1,632.89	2,263.19	318,326.74	234,602.71	22,458.89	19,352.71	28,500.49	3,365.72	1,029.94
Adp Processing Fees												
401k - The Standard	11,492.37											
Ascentium Lease Rent				9,086.33								
Board of Equalization												
MB Financial Loan Bank												
TOTAL WITHDRAWALS	713,695.26	7,205.13	158,456.26	49,655.72	843,062.45	350,604.57	306,092.26	111,529.77	137,107.96	180,555.79	527,598.58	92,354.36
American Express	45,589.21	13,197.19	28,430.58	17,753.67	80,581.95	32,446.33	5,228.81	24,554.25	39,657.40	505,783.67	12,090.87	37,549.73
Visa Mastercard - Post Integration	306,260.42	81,909.79	48,781.37	68,811.27	129,045.42	116,630.44	19,825.52	9,305.12	147,474.92	450,608.94	42,226.18	8,299.66
Chargeback	(808.41)	(661.80)		(52.79)	(826.08)	126.41		(158.46)			(2,026.31)	(2,841.35)
CC Fee												
TOTAL CREDIT CARDS	351,041.22	94,445.18	77,211.95	86,512.15	208,801.29	149,203.18	25,054.33	33,700.91	187,132.32	956,392.61	52,290.74	43,008.04
CURRENT BALANCE	1,624,360.27	1,714,478.00	1,638,938.43	1,739,548.73	1,311,810.11	1,113,237.26	832,229.21	909,897.49	1,032,655.46	1,825,322.25	1,354,457.53	1,529,088.41
Checks deposited, not posted												
Plus Checks not deducted												
Total Balalnce Per Bank	*1,624,360.27*	*1,714,478.00*	*1,638,938.43*	*1,739,548.73*	*1,311,810.11*	*1,113,237.26*	*832,229.21*	*909,897.49*	*1,032,655.46*	*1,825,322.25*	*1,354,457.53*	*1,529,088.41*
Total Cash Manager Balance												
AVAILABLE BALANCE	1,624,360.27	1,714,478.00	1,638,938.43	1,739,548.73	1,311,810.11	1,113,237.26	832,229.21	909,897.49	1,032,655.46	1,825,322.25	1,354,457.53	1,529,088.41
PAYROLL												
BEGINNING BALANCE	(35,800.41)	(19,467.95)	(12,262.82)	(7,508.54)	(5,875.65)	(3,612.46)	(264,017.72)	(29,415.01)	(6,956.12)	(37,603.41)	(9,102.92)	(5,737.20)
PAYROLL CHECKS ISSUED	25,000.00					578,732.00			50,000.00			
PAYROLL CHECKS PRESENTED	41,332.46	7,205.13	4,754.28	1,632.89	2,263.19	318,326.74	234,602.71	22,458.89	19,352.71	28,500.49	3,365.72	1,029.94
CHECKS OUTSTANDING	(19,467.95)	(12,262.82)	(7,508.54)	(5,875.65)	(3,612.46)	(264,017.72)	(29,415.01)	(6,956.12)	(37,603.41)	(9,102.92)	(5,737.20)	(4,707.26)
A/P Disbursement												
BEGINNING BALANCE	(863,538.35)	(202,092.20)	(293,502.40)	(222,019.80)	(183,083.30)	(167,284.04)	(479,678.04)	(409,663.00)	(991,604.63)	(1,011,614.58)	(1,410,165.28)	(938,165.19)
A/P CHECKS ISSUED	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/P CHECKS PRESENTED	661,446.15	-	153,701.98	38,936.50	15,799.26	32,277.83	70,015.04	11,725.39	117,755.25	152,055.30	524,232.86	91,324.42
CHECKS OUTSTANDING	(202,092.20)	(293,502.40)	(222,019.80)	(183,083.30)	(167,284.04)	(479,678.04)	(409,663.00)	(991,604.63)	(1,011,614.58)	(1,410,165.28)	(938,165.19)	(860,419.77)

DATE	20-Jan-17 Fri	23-Jan-17 Mon	24-Jan-17 Tue	25-Jan-17 Wed	26-Jan-17 Thu	27-Jan-17 Fri	30-Jan-17 Mon	31-Jan-17 Tue	TOTALS
UNITED COMMERCIAL BANK # 0063616353									
BEGINNING BALANCE	1,529,088.41	1,433,866.27	1,758,515.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71	1,957,700.76
DEPOSITS									
Transfers To/From Cash Mgr - 636163537									-
GCR/CASH DEPOSITS	32.54	1,807.22							31,646.09
NET DIRECT - Hilton Adv Res	28,458.72								162,770.20
TRAVELSCAPE/EXPEDIA									-
Kearny St. Parking									55,000.00
Credit Memo/Owners Contri.									-
VIRGIN									552,748.53
MISC WIRE TRANSFERS		(6,000.00)							6,645.50
TOTAL DEPOSITS	28,491.26	(4,192.78)	0.00	0.00	0.00	0.00	0.00	0.00	808,810.32
WITHDRAWALS									
Transfers To/From Cash Mgr - 636163537									-
Loan									-
Other									-
BANK SERVICES									10,916.65
Evou Monthly Pymt.									78,820.00
A/P CHECKS CLEARED	189,201.90	90,603.99							825,000.00
PAYROLL CHECKS CLEARED	17,682.48	6,012.62							2,149,075.87
Adp Processing Fees									697,027.88
401k - The Standard									-
Ascentium Lease Rent									11,492.37
Board of Equalization									9,086.33
MB Financial Loan Bank									-
TOTAL WITHDRAWALS	206,884.38	96,616.61	0.00	0.00	0.00	0.00	0.00	0.00	3,781,419.10
									-
American Express	27,048.98	110,319.76	88,814.71						1,069,047.11
Visa Mastercard - Post Integration	56,458.92	315,086.28	48,708.75						1,849,433.00
Chargeback	(336.92)	52.79	280.54						(7,252.38)
CC Fee									-
TOTAL CREDIT CARDS	83,170.98	425,458.83	137,804.00	0.00	0.00	0.00	0.00	0.00	2,911,227.73
CURRENT BALANCE	1,433,866.27	1,758,515.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71
Checks deposited, not posted									
Plus Checks not deducted									
Total Balance Per Bank	*1,433,866.27*	*1,758,515.71*	*1,896,319.71*	*1,896,319.71*	*1,896,319.71*	*1,896,319.71*	*1,896,319.71*	*1,896,319.71*	*1,896,319.71*
Total Cash Manager Balance									
AVAILABLE BALANCE	1,433,866.27	1,758,515.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71	1,896,319.71
PAYROLL									
BEGINNING BALANCE	(4,707.26)	12,975.22	(1,012.16)	(1,012.16)	(1,012.16)	(1,012.16)	(1,012.16)	(1,012.16)	
PAYROLL CHECKS ISSUED		20,000.00							
PAYROLL CHECKS PRESENTED	17,682.48	6,012.62	-	-	-	-	-	-	
CHECKS OUTSTANDING	12,975.22	(1,012.16)	(1,012.16)	(1,012.16)	(1,012.16)	(1,012.16)	(1,012.16)	(1,012.16)	
A/P Disbursement									
BEGINNING BALANCE	(860,419.77)	(671,217.87)	(611,876.38)	(611,876.38)	(611,876.38)	(611,876.38)	(611,876.38)	(611,876.38)	
A/P CHECKS ISSUED									
A/P CHECKS PRESENTED	189,201.90	90,603.99	-	-	-	-	-	-	
CHECKS OUTSTANDING	(671,217.87)	(611,876.38)	(611,876.38)	(611,876.38)	(611,876.38)	(611,876.38)	(611,876.38)	(611,876.38)	

Hilton San Francisco Financial District
Outstanding AP checks

Check Date	Vendor	Check No.	Issues	Cleared	Outstanding	Date Released	Date Cleared
9/29/2015	Thelema Dietler	006318	26.26	-	26.26	10/05/15	
3/9/2016	Thelema Dietler	007709	84.31	-	84.31	3/10/2016	
4/5/2016	Victoria Grover	007938	18.16	-	18.16	4/6/2016	
4/13/2016	Thuy Nguyen	008049	41.47	-	41.47	4/15/2016	
5/10/2016	Carlson Wagonlit Travel	008319	6,385.20	-	6,385.20	5/12/2016	
10/13/2016	California Travel and Tourism Commission (CTTC)	009699	18,921.64	18,921.64		10/14/16	
10/14/2016	TEG Holdings, Inc. dba The Encompass Group	009759	212.50	212.50		10/17/16	
10/25/2016	Riemer Reporting Service	009851	197.10	197.10		10/25/16	
11/10/2016	AT & T 415 773-0967	009921	2,090.52	2,090.52		11/10/2016	
11/10/2016	AT & T 8018-101-0374	009922	105.37	105.37		11/10/2016	
11/10/2016	AT & T 8080-23145-93	009923	822.73	822.73		11/10/2016	
11/10/2016	Bay City Ex, Inc.	009924	51.69	51.69		11/10/2016	
11/10/2016	California Travel and Tourism Commission (CTTC)	009925	18,921.64	18,921.64		11/10/2016	
11/10/2016	Cintas Corporation #4434305-0001	009927	1,347.28	1,347.28		11/10/2016	
11/10/2016	DIRECTTV #021779913 Hilton The Cloud	009928	196.98	196.98		11/10/2016	
11/10/2016	DIRECTV #005003666 Flyte Bar	009929	1,974.98	1,974.98		11/10/2016	
11/10/2016	Dow Jones & Company	009931	381.02	381.02		11/10/2016	
11/10/2016	FedEx - Acct#1175-5837-1	009932	284.79	284.79		11/10/2016	
11/10/2016	FedEx - Acct#6734-5372-4	009933	49.89	49.89		11/10/2016	
11/10/2016	International Pastry	009939	110.00	110.00		11/10/2016	
11/10/2016	Lily Toy	009943	51.01	51.01	-	11/10/2016	01/13/17
11/10/2016	Nori, Inc	009951	1,404.45	1,404.45		11/10/2016	
11/10/2016	Paula Gruendi	009954	22.94	22.94		11/10/2016	01/06/17
11/10/2016	Playnetwork, Inc.	009958	87.09	87.09		11/10/2016	
11/10/2016	Quench	009960	98.85	98.85		11/10/2016	
11/10/2016	San Francisco Chronicle	009965	93.75	93.75		11/10/2016	
11/10/2016	SF Specialty Food Co	009968	855.93	855.93		11/10/2016	
11/10/2016	SimplexGrinnell, LP	009970	3,892.36	3,892.36		11/10/2016	
11/10/2016	Sita Vaughan	009971	401.30	401.30		11/10/2016	
11/10/2016	The Marlin Company	009975	190.31	190.31		11/10/2016	
11/10/2016	U S A Today	009976	377,15	377.15		11/10/2016	
11/10/2016	CaliforniaChoice Benefit Administrators	009979	32,166.12	32,166.12		11/10/2016	
11/14/2016	Liberty Mutual Insurance	009992	1,829.00	1,829.00		11/15/16	
11/14/2016	Morrow Technologies Corp	009993	609.28	609.28		11/15/16	
11/14/2016	Anthony Mansoat	009996	1,000.00	1,000.00		11/15/16	
11/14/2016	Wine Warehouse	009999	380.04	380.04		11/15/16	
11/14/2016	Young's Market Company	010000	473.39	473.39		11/15/16	
11/14/2016	Quench	010002	98.85	98.85		11/15/16	
11/15/2016	Chad Fife	010003	3,216.56	3,216.56		11/15/16	
11/18/2016	Tech Hospitality Inc.	010008	13,113.75	13,113.75		11/18/16	
11/18/2016	Levi Strauss & Company	010034	1,142.50	-	1,142.50	11/18/16	
11/29/2016	Independent Tax Representatives, LLC	010066	26,747.86	26,747.86		11/29/16	01/06/17
11/29/2016	Alatur JTB Eventos e Incentivos	010067	2,290.55	2,290.55		11/29/16	01/19/17
11/29/2016	Pitney Bowes Global Fin. Svc.	010084	Void			11/29/16	
12/7/2016	Scott Levkoff Productions	010140	200.00	-	200.00	12/08/16	
12/9/2016	Alatur JTB Eventos e Incentivos	010157	3,436.61	3,436.61		12/9/2016	01/19/17
12/14/2016	California Travel and Tourism Commission (CTTC)	010166	18,921.64	18,921.64		12/14/2016	01/23/17
12/14/2016	SPRINT	010201	758.61	758.61		12/14/2016	01/03/17
12/20/2016	Cintas Corporation #4434305-0001	010230	31.90	31.90		12/20/2016	01/03/17
12/20/2016	Cintas Corporation #464	010231	1,224.33	1,224.33		12/20/2016	01/05/17
12/20/2016	D D Sign Company, Inc.	010233	984.18	984.18		12/20/2016	01/03/17
12/20/2016	E Wightman & Co	010238	748.35	748.35		12/20/2016	01/06/17
12/20/2016	EDC Technologies,Inc.	010239	400.00	400.00		12/20/2016	01/03/17
12/20/2016	Funk Kay Hardware, Inc. dba Financial District	010240	216.29	216.29		12/20/2016	01/03/17
12/20/2016	Hospitality Softnet, Inc.	010249	469.00	469.00		12/20/2016	01/05/17
12/20/2016	Kelly-Moore Paint Co., Inc	010252	311.29	311.29		12/20/2016	01/03/17
12/20/2016	Noel Asmar Uniforms Inc.	010259	172.55	172.55		12/20/2016	01/09/17
12/20/2016	Office Depot	010260	1,023.80	1,023.80		12/20/2016	01/03/17
12/20/2016	Peterson Communications Groups	010263	1,160.00	1,160.00		12/20/2016	01/03/17
12/20/2016	Secretary of State	010276	20.00	20.00		12/20/2016	01/06/17
12/21/2016	David Shawn	010278	283.74	283.74		12/21/2016	01/03/17
12/21/2016	Internal Revenue Service	010279	3,388.00	3,388.00	-	12/21/2016	01/11/17
12/21/2016	Scaffold Inspection & Testing Co.	010284	2,712.00	-	2,712.00	12/21/2016	
12/21/2016	Calvin Ernest	010286	144.00	144.00		12/21/2016	01/09/17
12/21/2016	Sharon Stitzel	010289	707.95	707.95		12/21/2016	01/03/17
12/21/2016	Office Depot	010291	1,027.81	1,027.81		12/21/2016	01/03/17
12/27/2016	San Francisco Tax Collector	010294	535,594.01	535,594.01		12/27/2016	01/03/17
12/27/2016	San Francisco Tax Collector (TID)	010295	34,754.23	34,754.23		12/27/2016	01/03/17
12/27/2016	San Francisco Tax Collector (TID)	010297	43,442.79	43,442.79		12/27/2016	01/03/17
12/27/2016	SFCB&SE - Local 2	010298	7,146.78	7,146.78		12/27/2016	01/05/17
12/28/2016	ACCO Engineered Systems	010299	1,856.37	1,856.37		12/28/2016	01/09/17

Hilton San Francisco Financial District
Outstanding AP checks

Check Date	Vendor	Check No.	Issues	Cleared	Outstanding	Date Released	Date Cleared
12/28/2016	Airo-Master of the North Bay	010300	480.00	480.00		12/28/2016	01/06/17
12/28/2016	American Empire	010301	5,908.00	5,908.00		12/28/2016	01/05/17
12/28/2016	American Express GBT - Meeting & Events	010302	1,493.40	-	1,493.40	12/28/2016	
12/28/2016	American Express Meeting & Events	010303	665.70	665.70		12/28/2016	01/19/17
12/28/2016	American Health Lawyers Association	010304	254.15	254.15		12/28/2016	01/12/17
12/28/2016	AT & T 8018-101-0374	010305	104.66	104.66		12/28/2016	01/09/17
12/28/2016	AT & T 8080-23145-93	010306	780.73	780.73		12/28/2016	01/09/17
12/28/2016	AT&T #415-984-0780 117	010307	216.76	216.76		12/28/2016	01/09/17
12/28/2016	Batteries Plus	010308	314.18	314.18		12/28/2016	01/12/17
12/28/2016	Beekley Corporation	010309	858.23	858.23		12/28/2016	01/09/17
12/28/2016	Blue Ribbon Supply Company	010310	437.50	437.50		12/28/2016	01/05/17
12/28/2016	Boston Children's Hospital	010311	4,669.90	4,669.90		12/28/2016	01/19/17
12/28/2016	Boston Properties	010312	400.00	400.00		12/28/2016	01/10/17
12/28/2016	Brink's, Incorporated	010313	581.11			12/28/2016	01/09/17
12/28/2016	Cavalier Mills	010314	1,189.74	1,189.74		12/28/2016	01/10/17
12/28/2016	Certegy Check Services, Inc	010315	156.00	156.00		12/28/2016	01/06/17
12/28/2016	Chase International Trading	010316	109.84	109.84		12/28/2016	01/05/17
12/28/2016	ChemsearchFE	010317	712.32	712.32		12/28/2016	01/06/17
12/28/2016	Cintas Corporation #464	010318	1,224.33	1,224.33		12/28/2016	01/11/17
12/28/2016	City Maps Inc.	010319	8,093.21	-	8,093.21	12/28/2016	
12/28/2016	Clairvoyix	010320	990.00	990.00		12/28/2016	01/06/17
12/28/2016	Cole Hardware dba Cole Fox Hardware	010321	20.10	20.10		12/28/2016	01/06/17
12/28/2016	Consider it Done	010322	532.00	532.00		12/28/2016	01/06/17
12/28/2016	Dow Jones & Company	010323	387.76	387.76		12/28/2016	01/09/17
12/28/2016	Down to the details	010324	672.90	672.90		12/28/2016	01/09/17
12/28/2016	Ecolab Food Safety Specialties	010325	177.18	177.18		12/28/2016	01/10/17
12/28/2016	EcoSure	010326	429.50	429.50		12/28/2016	01/12/17
12/28/2016	EDC Technologies,Inc.	010327	800.00	800.00		12/28/2016	01/10/17
12/28/2016	FedEx - Acct#1175-5837-1	010328	118.32	118.32		12/28/2016	01/06/17
12/28/2016	FedEx - Acct#6734-5372-4	010329	85.48	85.48		12/28/2016	01/06/17
12/28/2016	Galaxy Tour	010330	595.70	-	595.70	12/28/2016	
12/28/2016	Giants Enterprise	010331	1,210.00	1,210.00		12/28/2016	01/06/17
12/28/2016	Hobart Service	010332	128.77	128.77		12/28/2016	01/06/17
12/28/2016	Hokubei USA Inc	010333	518.00	-	518.00	12/28/2016	
12/28/2016	Hospitality Softnet, Inc.	010334	584.00	584.00		12/28/2016	01/13/17
12/28/2016	Intercontinental Mark Hopkins	010335	580.86	580.86		12/28/2016	01/13/17
12/28/2016	International Pastry	010336	110.00	110.00		12/28/2016	01/17/17
12/28/2016	Johnny G Adventures	010337	270.40	-	270.40	12/28/2016	
12/28/2016	Karcher North America, Inc	010338	578.52	578.52		12/28/2016	01/06/17
12/28/2016	Kelly-Moore Paint Co., Inc	010339	595.72	595.72		12/28/2016	01/13/17
12/28/2016	M3 Accounting Services, Inc.	010340	641.52	641.52		12/28/2016	01/06/17
12/28/2016	Matagrano, Inc	010341	334.70	334.70		12/28/2016	01/05/17
12/28/2016	Nailini Flowers	010342	163.13	163.13		12/28/2016	01/05/17
12/28/2016	Pan-O-Rama Bakery	010343	321.55	321.55		12/28/2016	01/05/17
12/28/2016	Playnetwork, Inc.	010344	87.09	87.09		12/28/2016	01/09/17
12/28/2016	R.W. Smith & Co.	010345	431.44	431.44		12/28/2016	01/06/17
12/28/2016	Randstad	010346	238.00	238.00		12/28/2016	01/09/17
12/28/2016	RoomBlocker	010347	918.90	918.90		12/28/2016	01/10/17
12/28/2016	Round The Clock Pest Control Inc.	010348	240.00	240.00		12/28/2016	01/09/17
12/28/2016	Royal Cup Inc.	010349	452.88	452.88		12/28/2016	01/06/17
12/28/2016	Splendido Voyage	010350	1,383.30	-	1,383.30	12/28/2016	
12/28/2016	STR Inc.	010351	1,595.00	1,595.00		12/28/2016	01/12/17
12/28/2016	SupplyWorks	010352	391.43	391.43		12/28/2016	01/05/17
12/28/2016	Synergy Enterprises, Inc	010353	4,860.00	4,860.00		12/28/2016	01/06/17
12/28/2016	The Box Lunch Company	010354	414.00	414.00		12/28/2016	01/05/17
12/28/2016	The Regal Press, Inc.	010355	1,307.71	1,307.71		12/28/2016	01/09/17
12/28/2016	Travel Pets Inc./TravelPets.com	010356	35.00	35.00		12/28/2016	01/09/17
12/28/2016	United California Glass & Door	010357	210.00	-	210.00	12/28/2016	01/05/17
12/28/2016	Western Machinery Electric	010358	551.04	551.04		12/28/2016	01/10/17
12/28/2016	Young's Market Company	010359	791.76	791.76		12/28/2016	01/09/17
12/28/2016	Chinese Culture Foundation	010360	5,661.33	5,661.33		12/28/2016	01/10/17
12/28/2016	San Francisco Tax Collector	010361	35,552.04	35,552.04		12/28/2016	01/03/17
12/28/2016	San Francisco Tax Collector (TID)	010362	2,881.95	2,881.95		12/28/2016	01/03/17
12/28/2016	WageWorks, Inc	010363	135.00	-	135.00	12/28/2016	
12/28/2016	Copower	010364	5,822.08	5,822.08		12/28/2016	01/05/17
12/28/2016	PLIC - SBD GRAND ISLAND	010365	513.69	513.69		12/28/2016	01/10/17
12/28/2016	San Francisco Tax Collector	010366	37,193.00	37,193.00		12/28/2016	01/05/17
12/28/2016	San Francisco Tax Collector (TID)	010367	2,315.56	2,315.56		12/28/2016	01/03/17
12/28/2016	DBI Beverage San Francisco	010368	612.10	612.10		12/28/2016	01/05/07
12/28/2016	Southern Wine & Spirits	010369	4,544.47	4,544.47		12/28/2016	01/05/17
12/29/2016	Hilton San Francisco	010370	2,054.26	2,054.26		12/29/2016	01/09/17

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12/29/2016	OMNI San Francisco Hotel	010371	1,579.00	1,579.00		12/29/2016	01/09/17
12/29/2016	Paro 55 San Francisco a Hilton Hotel	010372	361.00	361.00		12/29/2016	01/10/17
12/29/2016	The Rubin Group Inc.	010373	4,015.00	4,015.00		12/29/2016	01/13/17
12/29/2016	Hilton San Francisco	010374	681.24	681.24		12/29/2016	01/09/17
1/4/2017	JC Technologies Inc.	010375	3,010.13	3,010.13		1/4/2017	01/09/17
1/4/2017	The Intergroup Corporation	010376	53,315.07	53,315.07		1/4/2017	01/05/17
1/4/2017	Portsmouth Square Inc	010377	35,085.00	35,085.00		1/4/2017	01/05/17
1/5/2017	Sysco Guest Supply	010378	13,719.05	13,719.05		1/5/2017	01/11/17
1/5/2017	JAMS, Inc	010379	250.00	250.00		1/5/2017	01/11/17
1/5/2017	Oakland Athletics' Community Fund	010380	1,000.00	1,000.00		1/5/2017	01/18/17
1/5/2017	Pacific Seafood	010381	9,355.24	9,355.24		1/5/2017	01/11/17
1/5/2017	San Francisco Specialty Produce	010382	10,457.62	10,457.62		1/5/2017	01/11/17
1/5/2017	San Francisco Tax Collector	010383	500.00	500.00		1/5/2017	01/11/17
1/5/2017	SFPUC - Water Department	010384	22,065.95	22,065.95		1/5/2017	01/10/17
1/5/2017	US Food Service	010385	24,371.52	24,371.52		1/5/2017	01/11/17
1/5/2017	San Francisco Tax Collector	010386	500.00	500.00		1/5/2017	01/11/17
1/10/2017	4imprint, Inc.	010387	5,813.99	5,813.99		1/10/2017	01/17/17
1/10/2017	911 PC HELP	010388	501.50	501.50		1/10/2017	01/17/17
1/10/2017	A2Z	010389	2,133.30	2,133.30		1/10/2017	01/13/17
1/10/2017	ACCO Engineered Systems	010390	15,788.86	15,788.86		1/10/2017	01/13/17
1/10/2017	AIRGAS NCN	010391	85.95	85.95		1/10/2017	01/17/17
1/10/2017	American General	010392	6,250.00	6,250.00		1/10/2017	01/18/17
1/10/2017	AT & T Mobility #287262173083	010393	2,683.32	2,683.32		1/10/2017	01/18/17
1/10/2017	AT & T Wi-Fi Services	010394	1,981.00	1,981.00		1/10/2017	01/17/17
1/10/2017	Bay City Ex, Inc.	010395	51.69	51.69		1/10/2017	01/18/17
1/10/2017	California Hydronics Corporation	010396	5,447.78	5,447.78		1/10/2017	01/12/17
1/10/2017	Captivate LLC; Attn: Accounts Receivable	010397	3,932.12	-	3,932.12	1/10/2017	
1/10/2017	CBF, Inc.	010398	9,036.00	9,036.00		1/10/2017	01/19/17
1/10/2017	Chad Fife	010399	1,287.26	1,287.26		1/10/2017	01/13/17
1/10/2017	Cintas Corporation	010400	1,081.37	1,081.37	-	1/10/2017	01/20/17
1/10/2017	Cintas Corporation #464	010401	7,572.78	7,572.78		1/10/2017	01/23/17
1/10/2017	Danfeng Xu	010402	27.83	-	27.83	1/10/2017	
1/10/2017	DBI Beverage San Francisco	010403	513.40	513.40		1/10/2017	01/13/17
1/10/2017	DIRECTV #005003666 Flyte Bar	010404	1,974.98	1,974.98		1/10/2017	01/23/17
1/10/2017	Ecolab Pest Elimination Division	010405	1,808.18	1,808.18		1/10/2017	01/17/17
1/10/2017	Electro Imaging System Inc -HR- Acct#016-0922138	010406	755.82	755.82		1/10/2017	01/17/17
1/10/2017	Electro Imaging Systems, INC	010407	1,799.81	1,799.81	-	1/10/2017	01/20/17
1/10/2017	FedEx - Acct#1175-5837-1	010408	615.96	615.96		1/10/2017	01/17/17
1/10/2017	FedEx - Acct#6734-5372-4	010409	42.78	42.78		1/10/2017	01/17/17
1/10/2017	George P. Johnson Company	010410	52,569.37	52,569.37		1/10/2017	01/13/17
1/10/2017	Golden Gate Meat Company, INC.	010411	176.32	176.32		1/10/2017	01/13/17
1/10/2017	Gourmet Foods, Inc	010412	6,000.15	6,000.15		1/10/2017	01/17/17
1/10/2017	Granite Telecommunications	010413	1,425.99	1,425.99		1/10/2017	01/17/17
1/10/2017	Sysco Guest Supply	010414	11,306.25	11,306.25		1/10/2017	01/13/17
1/10/2017	Hilton San Francisco	010415	733.64	733.64		1/10/2017	01/17/17
1/10/2017	Hyatt Corporation dba Hyatt Regency San Francisco	010416	557.68	-	557.68	1/10/2017	
1/10/2017	Industrial Plumbing Supply	010417	3,530.86	3,530.86		1/10/2017	01/17/17
1/10/2017	InterCity Metro Cleaners INC.	010418	3,863.78	3,863.78	-	1/10/2017	01/11/17
1/10/2017	JEZ Enterprises	010419	842.78	842.78		1/10/2017	01/17/17
1/10/2017	KONE INC.	010420	37,195.74	37,195.74		1/10/2017	01/20/17
1/10/2017	Luis Marcos	010421	42.28	-	42.28	1/10/2017	
1/10/2017	M&M Baking Products, Inc	010422	1,387.60	1,387.60		1/10/2017	01/13/17
1/10/2017	McMaster-Carr Supply Co.	010423	518.24	518.24		1/10/2017	01/17/17
1/10/2017	Megan Brandt	010424	10.74	10.74		1/10/2017	01/13/17
1/10/2017	Mission Linen Supply - Acct#238665	010425	4,184.46	4,184.46		1/10/2017	01/17/17
1/10/2017	Mission Linen Supply - Acct#278603	010426	1,530.22	1,530.22		1/10/2017	01/17/17
1/10/2017	Morrow Technologies Corp	010427	609.28	609.28		1/10/2017	01/17/17
1/10/2017	National Tour Association	010428	2,120.00	2,120.00		1/10/2017	01/18/17
1/10/2017	Newport Fish Co.	010429	138.00	138.00		1/10/2017	01/17/17
1/10/2017	North Tower Environmental	010430	4,950.00	-	4,950.00	1/10/2017	
1/10/2017	Northern California World Trade Center	010431	2,993.80	-	2,993.80	1/10/2017	
1/10/2017	Office Depot	010432	892.03	892.03		1/10/2017	01/17/17
1/10/2017	Open Table, Inc	010433	480.60	480.60		1/10/2017	01/13/17
1/10/2017	Oracle America, Inc	010434	4,168.70	4,168.70		1/10/2017	01/13/17
1/10/2017	P G & E	010435	39,942.64	39,942.64		1/10/2017	
1/10/2017	Pacific Seafood	010436	3,795.86	3,795.86		1/10/2017	01/17/17
1/10/2017	Pan-O-Rama Bakery	010437	757.55	757.55		1/10/2017	01/17/17
1/10/2017	Penny Feng	010438	171.20	171.20		1/10/2017	01/13/17
1/10/2017	Petty Cash	010439	541.10	541.10		1/10/2017	01/18/17
1/10/2017	Plant Domaine	010440	1,890.00	1,890.00		1/10/2017	01/19/17
1/10/2017	Plasticard Locktech Int'l	010441	1,500.00	1,500.00		1/10/2017	01/18/17

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1/10/2017	ProfitSword, LLC	010442	1,450.00	1,450.00		1/10/2017	01/17/17
1/10/2017	Quench	010443	132.57	132.57		1/10/2017	01/17/17
1/10/2017	R.W. Smith & Co.	010444	544.72	544.72		1/10/2017	01/17/17
1/10/2017	Recology Sunset Scavenger	010445	7,397.82	7,397.82		1/10/2017	01/19/17
1/10/2017	Red Cloud, Inc	010446	44.39	44.39		1/10/2017	01/17/17
1/10/2017	Royal Cup Inc.	010447	969.58	969.58		1/10/2017	01/18/17
1/10/2017	RR Donnelley	010448	820.83	820.83		1/10/2017	01/17/17
1/10/2017	Ruthie Jacinto	010449	98.40	98.40		1/10/2017	01/13/17
1/10/2017	Ryan Maru	010450	27.00	27.00		1/10/2017	01/13/17
1/10/2017	Ryan Terry	010451	94.92	94.92		1/10/2017	01/13/17
1/10/2017	San Francisco Fine Bakery	010452	8,108.13	8,108.13		1/10/2017	01/13/17
1/10/2017	San Francisco Specialty Produce	010453	3,965.35	3,965.35		1/10/2017	01/13/17
1/10/2017	SENTRY Control Systems	010454	1,732.57	1,732.57		1/10/2017	01/13/17
1/10/2017	SF Specialty Food Co	010455	1,752.32	1,752.32		1/10/2017	01/17/17
1/10/2017	SimplexGrinnell, LP	010456	3,892.36	3,892.36		1/10/2017	01/17/17
1/10/2017	Sonifi Solutions Inc.	010457	16,008.71	16,008.71		1/10/2017	01/18/17
1/10/2017	Southern Wine & Spirits	010458	3,637.92	3,637.92		1/10/2017	01/17/17
1/10/2017	SPRINT	010459	944.59	944.59		1/10/2017	01/23/17
1/10/2017	Sweet Production, Inc.	010460	2,360.55	2,360.55		1/10/2017	01/17/17
1/10/2017	Teamsters Local Union No. 665	010461	359.79	-	359.79	1/10/2017	
1/10/2017	TEO Holdings, Inc. dba The Encompass Group	010462	187.50	-	187.50	1/10/2017	
1/10/2017	The Rubin Group Inc.	010463	3,887.00	3,887.00		1/10/2017	01/19/17
1/10/2017	U S A Today	010464	496.25	496.25		1/10/2017	01/17/17
1/10/2017	US Food Service	010465	5,709.28	5,709.28	-	1/10/2017	01/12/17
1/10/2017	Victoria Grover	010466	32.56	32.56		1/10/2017	01/17/17
1/10/2017	Vortex Industries, Inc	010467	2,241.22	2,241.22		1/10/2017	01/17/17
1/10/2017	Washington Bakery & Restaurant	010468	4,370.75	4,370.75		1/10/2017	01/13/17
1/10/2017	Whaley Parts & Supply	010469	2,324.30	2,324.30		1/10/2017	01/17/17
1/10/2017	City Maps	010470	8,093.21	8,093.21		1/10/2017	01/17/17
1/10/2017	Paulo Vergara	010471	79.69	79.69		1/10/2017	01/17/17
1/10/2017	Petty Cash	010472	134.41	134.41		1/10/2017	01/18/17
1/10/2017	Lily Toy	010473	160.60	160.60		1/10/2017	01/13/17
1/10/2017	Infinite Creation	010474	600.00	600.00		1/10/2017	01/19/17
1/12/2017	Andrea Chang	010475	213.40	213.40		1/12/2017	01/13/17
1/12/2017	Astor Chocolate	010476	297.05	297.05		1/12/2017	01/17/17
1/12/2017	AT & T 415 773-0967	010477	2,101.67	2,101.67		1/12/2017	01/18/17
1/12/2017	Bank of America; BCD M&I	010478	7,678.00	-	7,678.00	1/12/2017	
1/12/2017	CaliforniaChoice Benefit Administrators	010479	36,050.55	36,050.55		1/12/2017	01/19/17
1/12/2017	Chad Fife	010480	3,163.94	3,163.94		1/12/2017	01/13/17
1/12/2017	CIC Peru Travel	010481	6,566.30	-	6,566.30	1/12/2017	
1/12/2017	Fox Travel	010482	3,443.20	-	3,443.20	1/12/2017	
1/12/2017	George Wilson	010483	87.09	-	87.09	1/12/2017	
1/12/2017	Hilton Hotels Corporation	010484	416,604.58	416,604.58		1/12/2017	01/18/17
1/12/2017	Industrial Plumbing Supply	010485	250.78	250.78		1/12/2017	01/19/17
1/12/2017	J.D. Griffin & Associates, PC	010486	7,447.50	7,447.50		1/12/2017	01/18/17
1/12/2017	Josh Sorosky	010487	1,012.50	1,012.50		1/12/2017	01/18/17
1/12/2017	Unite HERE Local 2	010488	10,609.75	10,609.75		1/12/2017	01/19/17
1/12/2017	Local 856	010489	1,149.00	1,149.00		1/12/2017	01/23/17
1/12/2017	OnTrack Performance Tools, LLC	010490	5,420.00	5,420.00		1/12/2017	01/23/17
1/12/2017	Onyx Payments	010491	829.90	-	829.90	1/12/2017	
1/12/2017	Oracle America Inc.	010492	47,238.48	47,238.48		1/12/2017	01/17/17
1/12/2017	Portsmouth Square Inc	010493	22,805.00	22,805.00		1/12/2017	01/18/17
1/12/2017	R.W. Smith & Co.	010494	2,020.45	2,020.45		1/12/2017	01/18/17
1/12/2017	Regency Enterprises,Inc. dba Regency Lighting	010496	602.48	602.48		1/12/2017	01/18/17
1/12/2017	San Francisco Travel Association	010497	6,495.00	6,495.00		1/12/2017	01/18/17
1/12/2017	SF Culinary Fund	010498	1,070.00	-	1,070.00	1/12/2017	
1/12/2017	SMG	010499	5,775.00	5,775.00		1/12/2017	01/18/17
1/12/2017	Splendido Voyage	010500	1,228.30	-	1,228.30	1/12/2017	
1/12/2017	StarCite, Inc.	010501	1,489.50	1,489.50		1/12/2017	01/19/17
1/12/2017	Swanson's Travel Corp	010502	2,824.50	-	2,824.50	1/12/2017	
1/12/2017	Synergy Enterprises, Inc	010503	550.00	550.00		1/12/2017	01/19/17
1/12/2017	CIC Peru Travel	010504	1,490.42	-	1,490.42	1/12/2017	
1/12/2017	Infinite Creation	010505	1,235.00	1,235.00		1/12/2017	01/19/17
1/12/2017	Constellation Brands	010506	3,974.40	-	3,974.40	1/12/2017	
1/13/2017	Sysco Guest Supply	010507	6,203.32	6,203.32		1/13/2017	01/18/17
1/13/2017	Matagrano, Inc	010508	1,224.80	1,224.80		1/13/2017	01/19/17
1/13/2017	Morris Distributing	010509	483.65	483.65		1/13/2017	01/20/17
1/13/2017	Office Depot	010510	4,897.65	-	4,897.65	1/13/2017	
1/13/2017	Pacific Seafood	010511	5,369.21	5,369.21		1/13/2017	01/19/17
1/13/2017	Petty Cash	010512	2,000.00	2,000.00		1/13/2017	01/18/17
1/13/2017	PSAV Presentation Services	010513	95,742.23	95,742.23		1/13/2017	01/20/17

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1/13/2017	San Francisco Specialty Produce	010514	5,874.58	5,874.58		1/13/2017	01/18/17
1/13/2017	US Food Service	010515	14,031.97	14,031.97		1/13/2017	01/18/17
1/13/2017	DBI Beverage San Francisco	010516	671.25	671.25		1/13/2017	01/19/17
1/13/2017	Southern Wine & Spirits	010517	1,266.54	1,266.54		1/13/2017	01/20/17
1/17/2017	911 PC HELP	010518	501.50	501.50		1/17/2017	01/23/17
1/17/2017	Altour	010519	2,643.00	-	2,643.00	1/17/2017	
1/17/2017	ASCAP	010520	1,038.00	-	1,038.00	1/17/2017	
1/17/2017	Ascend Printing	010521	868.26	-	868.26	1/17/2017	
1/17/2017	AT & T 415 433-6484	010522	308.05	-	308.05	1/17/2017	
1/17/2017	AT & T #831-000-4782	010523	1,845.10	-	1,845.10	1/17/2017	
1/17/2017	AT & T 415 433-3493	010524	390.62	-	390.62	1/17/2017	
1/17/2017	AT & T 8018-101-0374	010525	104.22	-	104.22	1/17/2017	
1/17/2017	AT & T 8080-23145-93	010526	772.25	-	772.25	1/17/2017	
1/17/2017	AT&T #415-984-0780 117	010527	141.25	-	141.25	1/17/2017	
1/17/2017	AT&T 415-434-4017	010528	263.85	-	263.85	1/17/2017	
1/17/2017	AT&T acct#415 986 4055 - ACE Parking	010529	391.80	-	391.80	1/17/2017	
1/17/2017	Brink's, Incorporated	010530	1,192.74	-	1,192.74	1/17/2017	
1/17/2017	Certegy Check Services, Inc	010531	56.00	-	56.00	1/17/2017	
1/17/2017	Decker Electric	010532	9,990.00	-	9,990.00	1/17/2017	
1/17/2017	DIRECTTV #021779913 Hilton The Cloud	010533	201.98	-	201.98	1/17/2017	
1/17/2017	Experient	010534	3,715.60	-	3,715.60	1/17/2017	
1/17/2017	Marketshare	010535	3,480.94	-	3,480.94	1/17/2017	
1/17/2017	Peterson Communications Groups	010536	1,160.00	-	1,160.00	1/17/2017	
1/17/2017	Plaza Travel / An Adelman Company	010537	14,040.30	-	14,040.30	1/17/2017	
1/17/2017	Regency Enterprises,Inc. dba Regency Lighting	010538	992.18	-	992.18	1/17/2017	
1/17/2017	San Francisco Specialty Produce	010539	18,780.07	-	18,780.07	1/17/2017	
1/17/2017	Wedding Wire	010540	4,902.00	-	4,902.00	1/17/2017	
1/17/2017	Wells Fargo Corporate HR, attn: Shirley Yee	010541	10,857.83	-	10,857.83	1/17/2017	
1/17/2017	San Francisco Fine Bakery	010542	8,528.26	8,528.26		1/17/2017	01/23/17
1/17/2017	Hotel Credit Association	010543	108.00	108.00		1/17/2017	
1/17/2017	SFCB&SE - Day Care/Elder Care	010544	6,716.58	-	6,716.58	1/17/2017	
1/17/2017	SFCB&SE - Education Fund	010545	559.72	-	559.72	1/17/2017	
1/17/2017	SFCB&SE - Industry Bqt Comm	010546	419.79	-	419.79	1/17/2017	
1/17/2017	SFCB&SE - Legal Fund	010547	4,197.86	-	4,197.86	1/17/2017	
1/17/2017	SFCB&SE - Local 2	010548	363,562.08	-	363,562.08	1/17/2017	
1/17/2017	Stationary Engineers Local 39 Trust Fund	010549	35,456.15	35,456.15		1/17/2017	01/23/17
1/17/2017	Teamsters L856 Health & Welfare Fund	010550	40,740.00	-	40,740.00	1/17/2017	
1/17/2017	Teamsters Local Union No. 665	010551	203.93	-	203.93	1/17/2017	
1/17/2017	Western Conf.of Teamsters Pension Trust	010552	7,799.84	7,799.84		1/17/2017	01/23/17
1/17/2017	Sysco Guest Supply	010553	3,376.25	3,376.25		1/17/2017	01/23/17
1/17/2017	Petty Cash	010554	300.00	-	300.00	1/17/2017	
1/18/2017	BPM	010555	26,250.00	26,250.00		1/18/2017	01/20/17
1/18/2017	International Pastry	010556	110.00	-	110.00	1/18/2017	
1/18/2017	Judicate West	010557	3,945.00	3,945.00		1/18/2017	01/20/17
1/18/2017	M3 Accounting Services, Inc.	010558	659.21	-	659.21	1/18/2017	
1/18/2017	Na Lao	010559	180.00	-	180.00	1/18/2017	
1/18/2017	P G & E	010560	20,288.56	20,288.56		1/18/2017	01/20/17
1/18/2017	Franchise Tax Board	010561	800.00	-	800.00	1/18/2017	
1/19/2017	Hinman & Carmichael LLP	010562	1,260.00	-	1,260.00	1/19/2017	
1/19/2017	Bay Area Automotive Group Welfare Fund	010563	12,319.00	-	12,319.00	1/19/2017	
1/23/2017	The Bernheim Law Firm	010564	31,262.50		31,262.50	1/23/2017	
	Total Wells Fargo		2,866,698.56	2,254,241.07	611,876.38		

(611,876.38)

Check -

Subgroup: [53.010] Accounts Receivable - Trade		
	GUEST LEDGER	449,400.28
	CITY LEDGER 1-30 DAYS	296,972.36
	CITY LEDGER 31-60 DAYS	14,551.76
	CITY LEDGER 61-90 DAYS	
	CITY LEDGER 91-120 DAYS	
	CITY LEDGER OVER 120 DAYS	12,000.00
	A/R MISCELLANEOUS	14,110.33
Subtotal [53.010] Accounts Receivable - Trade		**787,034.73**
Subgroup: [53.020] Allowance for Doubtful Accounts		
	ALLOW FOR DOUBTFUL ACCOUNTS	(60,862.64)
Subtotal [53.020] Allowance for Doubtful Accounts		**(60,862.64)**
Subgroup: [53.030] Other Receivables		
	EMPLOYEE ADVANCES	14,307.00
Subtotal [53.030] Other Receivables		**14,307.00**
Total [53] Accounts Receivable		**740,479.09**

EXHIBIT D

Centralized Accounting Services

Centralized Accounting Services include the following:

Property Accounting Services

- Accounts Receivable
  - Billing and Collection
- Accounts Payable
  - Market Basket purchase orders
- Treasury
  - General Cashier
    - House banks
    - Daily Deposits
    - Over/Short reconciliation
  - Daily Cash report
- Payroll
  - Time clock edits and processing
  - Processing of vacation, sick time
- General Ledger
  - Journal Entry support
- Forecasting
- Budgeting
- Reporting

Shared Accounting Services

- Accounts Payable
  - Set up of vendors
  - Invoice auditing
  - Printing and Processing
- Treasury
  - Credit Card Processor review
  - Bank Reconciliations
- Payroll
  - Processing of weekly payroll
  - Quarterly tax filings
  - Annual tax filings
  - W-2s and year-end reporting
- General Ledger
  - Journal Entries
  - Reconciliation of E-Daily to PMS, Income Journal
  - City Ledger Review
  - Guest Ledger Review
  - Advance Deposit Review
  - Inventory validation and reconciliation
  - Franchise Fees payment and reconciliation
  - Management Fee payment and reconciliation
  - Accruals
  - Financial Statements preparation
- Sales & Use Tax
  - Preparation of Returns
  - Filing of Returns including payment
  - Coordination for audits.

EXHIBIT 14

PORTSMOUTH SQUARE, INC.
CODE OF ETHICS
FOR
SENIOR FINANCIAL OFFICERS

This Code of Ethics applies to Portsmouth Square, Inc. ("Portsmouth" or the "Company") Senior Financial Officers. "Senior Financial Officers" shall include the principal executive officer, the principal accounting officer or controller, or persons performing similar functions, including Portsmouth's President and Chief Executive Officer, Chief Financial Officer, Treasurer, Controller, Vice President, and such other individuals as determined from time to time by the Audit Committee of the Company for purposes of this Code of Ethics. The Company expects all employees, in carrying out their job responsibilities, to act in accordance with the highest standards of personal and professional integrity, to comply with all applicable laws, and to abide by Portsmouth's other corporate policies and procedures adopted from time to time by the Company. This Code of Ethics supplements the foregoing with respect to all Senior Financial Officers.

Portsmouth's Senior Financial Officers will:

1. Engage in and promote honest and ethical conduct, acting with integrity and exercising at all times their best independent judgment;

2. Avoid actual or apparent conflicts of interest between personal and professional relationships and disclose to the Company's Audit Committee and counsel any material transaction or relationship that reasonably could be expected to give rise to such a conflict;

3. Produce full, fair, accurate, timely and understandable disclosure in reports and documents that Portsmouth files with, or submits to, the Securities and Exchange Commission and in other public communications made by Portsmouth;

4. Comply with applicable governmental laws, rules and regulations, as well as the rules and regulations of self-regulatory organizations of which Portsmouth is a member;

5. Maintain the confidentiality of Company information, except when authorized or otherwise required to make any disclosure, and avoid the use of any Company information for personal advantage;

6. Promote ethical and honest behavior among employees under your supervision; and

7. Promptly report any possible violation of this Code of Ethics to the Audit Committee and the Company's counsel.

All Senior Financial Officers are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence Portsmouth's independent public accountant engaged in the performance of an audit or review of the financial statements of the Company for the purpose of rendering the financial statements of Portsmouth misleading.

The Audit Committee of the Board of Directors shall approve any waiver or amendment of this Code of Ethics, and any such waiver or amendment shall be disclosed promptly as required by law and SEC regulations.

All Senior Financial Officers will be held accountable for their adherence to this Code of Ethics. Failure to observe the terms of this Code of Ethics may result in disciplinary action, up to and including termination of employment. Violations of this Code of Ethics may also constitute violations of law, and may result in civil and criminal penalties for the individual, his or her supervisor and/or Portsmouth.

If a Senior Financial Officer has any questions regarding the best course of action in a particular situation, he or she should promptly contact the Chairman of the Audit Committee or the Company's counsel. An individual may choose to remain anonymous in reporting any possible violation of this Code of Ethics.

EXHIBIT 31.1

CERTIFICATION

I, John V. Winfield, certify that:

1. I have reviewed this annual report on Form 10-K 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: August 31, 2018

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

EXHIBIT 31.2

CERTIFICATION

I, Danfeng Xu, certify that:

1. I have reviewed this annual report on Form 10-K 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: August 31, 2018

/s/ Danfeng Xu
Danfeng Xu
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 Annual Report of Portsmouth Square, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2018, 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: August 31, 2018

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 Annual Report of Portsmouth Square, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Danfeng Xu, 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/ Danfeng Xu
Danfeng Xu
Treasurer and Controller
(Principal Financial Officer)

Date: August 31, 2018

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.