

**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, 2024

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-4057

**PORTSMOUTH SQUARE, INC.**

(Exact name of registrant as specified in its charter)

CALIFORNIA  
(State or other jurisdiction of  
Incorporation or organization)

94-1674111  
(I.R.S. Employer  
Identification No.)

1516 S. Bundy Drive, Suite 200, 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§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.

Yes  No

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	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

The aggregate market value of the Common Stock, no par value, held by non-affiliates computed by reference to the closing price reported on the last day of registrant's second quarter December 31, 2023 was \$2,154,000.

The number of shares outstanding of registrant's Common Stock, as of September 30, 2024 was 734,187.

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

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

DOCUMENTS INCORPORATED BY REFERENCE: None



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## FORWARD-LOOKING STATEMENTS

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

All such forward-looking statements are based on current expectations of management and therefore involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in these forward-looking statements. You should not place undue reliance on any forward-looking statements, and we urge investors to carefully review the disclosures we make concerning risks and uncertainties in Item 1A: “Risk Factors” in this Annual Report on Form 10-K. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

The risk factors discussed in Item 1A: “Risk Factors” could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business. Any such risks could cause our results to differ materially from those expressed in forward-looking statements.

Other 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;
- increases in interest rates;
- changes in the competitive environment in the hotel industry;
- economic volatility and potential recessive trends;
- risks related to natural disasters;
- hyperinflation;
- litigation; and
- other risk factors discussed below in this Report.

## 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, 2024, approximately 75.7% of the outstanding common stock of Portsmouth was owned by The InterGroup Corporation (“InterGroup”), a public company (NASDAQ: INTG). As of June 30, 2024, the Company’s Chairman of the Board and Chief Executive Officer, John V. Winfield, owns approximately 2.5% of the outstanding common shares of the Company. Mr. Winfield also serves as the President, Chairman of the Board and Chief Executive Officer of InterGroup and owns approximately 69.4% of the outstanding common shares of InterGroup as of June 30, 2024.

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

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

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 December 10, 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 Justice with certain key money cash incentives to be earned through 2030.

## **HOTEL MANAGEMENT COMPANY AGREEMENT**

Operating entered into a hotel management agreement (“HMA”) with Aimbridge Hospitality (“Aimbridge”) to manage the Hotel, along with its five-level parking garage, with an effective date of February 3, 2017. The term of the management agreement is for an initial period of ten years commencing on the February 3, 2017 date and automatically renews for successive one (1) year periods, not to exceed five years in the aggregate, subject to certain conditions. Under the terms on the HMA, base management fee (“Basic Fee”) payable to Aimbridge shall be one and seven-tenths percent (1.70%) of total Hotel revenue. In addition to the Basic Fee, Aimbridge shall be entitled to an annual incentive fee for each fiscal year equal to ten percent (10%) of the amount by which Gross Operating Profit in the current fiscal year exceeds the previous fiscal year’s Gross Operating Profit.

For the fiscal years ended June 30, 2024 and 2023, hotel management fees were \$706,000 and \$711,000, and incentive fees of \$0 and \$505,000, respectively, offset by key money amortization of \$250,000 for both years and are included in Hotel operating expenses in the consolidated statements of operations. However, the Company is currently in discussions with Aimbridge regarding a dispute in connection with the validity of the incentive fees as they relate directly to the Covid pandemic. As part of the Hotel management agreement, Aimbridge, through the Company’s wholly owned subsidiary, Kearny Street Parking LLC, manages the parking garage in-house.

## **CHINESE CULTURE FOUNDATION LEASE**

In November 1967, Justice entered into a 50-year nominal rent lease (the “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 the right to occupy pursuant to the Lease. Among other requirements, the Lease was a condition imposed by the City of San Francisco upon Justice, in order to convey the real estate where the Hotel would be built.

On March 15, 2005, the Hotel and the Foundation entered an amended lease. The amended lease, among other things, requires the Hotel 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, 2024, monthly event space fee is \$7,000. The term of the amended lease expired on October 17, 2023, with an automatic extension for another 10-year term if the property continues to be operated as a hotel. Subject to certain conditions as set forth in the amended lease, the Foundation is entitled to reserve for a maximum of 75 days per calendar year for use of the event space. If the Hotel needs the event space during one of the dates previously reserved by the Foundation, the Hotel shall pay the Foundation \$4,000 per day for using the event space. During the fiscal years ended June 30, 2024 and 2023, the Hotel paid the Foundation \$8,000 and \$20,000 for such fees, respectively.

## **MARKETABLE SECURITIES INVESTMENT POLICIES**

In addition to its Hotel 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 an Executive Strategic Real Estate and 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 Chief Executive Officer, John V. Winfield. The Committee has delegated authority to manage the portfolio to the Company’s Chairman and Chief Executive Officer 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 consolidated balance sheets as part of other investments and reviewed for impairment on a periodic basis.

The Company may utilize margin for its marketable securities purchases using 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 value of the portfolio may be subject to large fluctuations. Margin balances due on June 30, 2024 and 2023 were \$0.

As Chairman of the Committee and of the Company, 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 the Board of InterGroup and oversees the investment activity of InterGroup. Depending on certain market conditions and various risk factors, the Chief Executive Officer and InterGroup may, at times, invest in the same companies in which the Company invests. 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 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 6 and 7 of the Notes to Consolidated Financial Statements.

#### **SEASONALITY**

Historically, the Hotel's operation has been seasonal under normal circumstances. Like most hotels in the San Francisco area, the Hotel generally maintained high occupancy and room rates during the entire year except for the weeks starting from Thanksgiving to first week of January due to the holiday season. These seasonal patterns can be expected to cause fluctuations in the quarterly revenues of the Hotel. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for more information regarding the effects on our results of operations.

#### **COMPETITION**

Our Hotel has successfully completed its full guest-rooms renovation over the last 2 years along with public space, fitness center, corridors, and meeting space. With newly renovated rooms in its Competitive Set of hotels ("CompSet") will allow the hotel to continue to drive rate and grow RevPAR over the market and its CompSet. The hotel recently received its annual Quality Assurance inspection from Hilton and received the highest score at least in the hotel's last decade at 94.45% which is an "Outstanding" ranking by Hilton.

Even during the renovation that took out between 2-4 floors or 50-100 guest rooms of inventory at a time, the Hotel maintained an index of over 100%. At the end of the renovation in June 2024, the Hotel's trailing 12-month index was 109.6%. During the fiscal year ending June 30, 2024, the Hotel's CompSet achieved a RevPAR of \$161.47 while the Hotel had a RevPAR of \$176.99. An excellent achievement for our property while it had roughly 13%-18% of its inventory unavailable over this time period. Since the completion of the renovation, the Hotel has increased its lead in RevPAR on the CompSet dramatically. In the two months since completing the renovation, the Hotel has achieved an average RevPAR index of over 150% for both months. While the CompSet has lost over 15% RevPAR; in these two months, the Hotel has grown over 15% in this metric.

The Hotel's location in the San Francisco Financial District historically had provided greater opportunities over its competitors when it comes to developing relationships with the Financial District entities and the customers who regularly do business in the downtown area. With business travel slowly returning to San Francisco for the time, we are competing with hotels in more tourist attracting locations and amenities for the leisure traveler. The ability to capitalize on the strong midweek demand of the individual business traveler to the Financial District has been the focus during the timeframe of strong growth in the market. The shift to attracting leisure travel has pushed the Hotel to price aggressively to lure competition from the more tourist locations in the city. We are optimistic to see business travel and self-contained group trending positively.

The Hotel is also subject to certain operating risks common to the hospitality industry, which could adversely impact performance.

These risks include, but are not limited to:

- 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, the 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 Justice and 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, 2024, Portsmouth had four 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.

The hotel operations had 187 employees as of June 30, 2024. On February 3, 2017, Aimbridge assumed all labor union agreements as agent for Hotel and Justice, and Justice provides all funding for all payroll and related costs. As of June 30, 2024, approximately 90% of those employees were represented by one of three labor unions, and their terms of employment were determined under various collective bargaining agreements (“CBAs”) to which Aimbridge was a party to as agent for Hotel and Justice. CBA for Local 2 (Hotel and Restaurant Employees) expired on August 13, 2024, and is currently under negotiations. CBA for Local 856 (International Brotherhood of Teamsters) will expire on December 31, 2024. CBA for Local 39 (Stationary Engineers) will expire in July 2030.

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 Company and Aimbridge. The Company 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.

## **ADDITIONAL INFORMATION**

The Company files required 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.intergroupcorporation.com](http://www.intergroupcorporation.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. The macro-economic situation of a looming US/Global recession has seen business reducing or eliminating typical travel and group meetings in efforts to be conservative in uncertain financial times. 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.

*Weakened global economic conditions may adversely affect our industry, business and results of operations.*

Our overall performance depends in part on worldwide economic conditions which could adversely affect the tourism industry. According to current economic news reports, the United States and other key international economies may be subject to a recession, characterized by falling demand for a variety of goods and services, restricted credit, going concern threats to financial institutions, major multinational companies and medium and small businesses, poor liquidity, declining asset values, reduced corporate profitability, and volatility in credit, equity and foreign exchange markets. These conditions affect discretionary and leisure spending and could adversely affect our customers' ability or willingness to travel to destinations for leisure and cutback on discretionary business travel, which could adversely affect our operating results. In addition, in a weakened economy, companies that have competing properties may reduce room rates and other prices which could also reduce our average revenues and harm our operating results.

*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, results of operation, and fair market value of the Hotel.*

Our business in San Francisco and the hospitality industry has a limited base of operations and substantially all of our revenues are currently generated by the Hotel in San Francisco, California. 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, technology infrastructure, 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 are 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; increased prices of materials due to tariffs; 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.

The debt agreements that govern our outstanding indebtedness due January 2025 could result in our being required to repay these borrowings on their due date. If we are forced to refinance these borrowings on less favorable terms or are unable to refinance these borrowings, our financial condition and results of operations could be adversely affected.

*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 stagnant 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 15, 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 in part, 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 Aimbridge. Their ability to manage the Hotel and to 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.

*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.*

As of June 30, 2024, InterGroup owns 75.7% of the Company's outstanding common stock. Because of this concentrated stock ownership, the Company's largest shareholders will be able 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 enough shares to significantly decrease our price per share.

#### **Item 1B. Unresolved Staff Comments.**

None.

#### **Item 1C. Cybersecurity.**

The Company maintains cyber risk management designed to preserve the security of data and technology infrastructure. On annual basis we conduct assessments to identify cyber risks and have developed plans on how to address any such risks for remediation of vulnerabilities.

##### *Risk management and strategy*

We engage and implement risk management strategies for identification and management of material risks rising from cybersecurity threats and alerts. Our method involves a systematic evaluation of all potential threats reported and discovered, vulnerabilities, and their possible impacts on the Company's operations, data, and systems health. Our cybersecurity risk management strategy includes:

- Identify the risk to our environment;
- IT to identify and resolve the threat;
- monthly cybersecurity training to our staff; and
- cybersecurity incident response plan.

##### *Management and Board Oversight*

Management team is responsible for the oversight and administration of cyber security protocols. Our management team relies on our third-party providers on administering cybersecurity assessments to identify, manage, mitigate, and respond to cybersecurity threats. Management updates the Board as necessary, regarding any significant cybersecurity occurrences.

#### **Item 2. Properties.**

##### **SAN FRANCISCO HOTEL PROPERTY**

The Hotel is owned by Portsmouth through its wholly owned subsidiary, Justice Operating Company, LLC. 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 Hotel has a restaurant, a lounge, and a private dining room on 3,700 square feet; additionally, there are two kitchens to service the restaurant and banquets and a fully equipped gym. The third floor houses the Chinese Culture Center (the "CCC"), its administrative office, and a 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 CCC with Portsmouth Square Park in Chinatown.

As required by its senior lender, the Company will continue to make minimum payments into its furniture, fixtures, and equipment ("FF&E") escrow account held by its senior lender of the greater of 4% of annual revenues or a minimum of \$1,952,000 per annum. 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 Company 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 Company's principal asset, the Hotel. The Mortgage Loan bears an interest rate of 5.275% per annum and matured on January 1, 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 FF&E reserves. As additional security for the Mortgage Loan, there is a limited guaranty ("Mortgage Guaranty") executed by the Company in favor of the Mortgage Lender. On April 29, 2024, U.S. Bank National Association and other lenders ("Lender") entered into a Forbearance Agreement (the "Mortgage Loan Forbearance Agreement"), all capitalized terms are used in this paragraph as defined in this agreement with Operating. Assuming no Termination Event occurs, Lender agrees to not take any action with respect to the loan facility set forth therein prior to January 1, 2025. During the Forbearance Period, Operating shall make all regularly scheduled payments to the Lender. The Mortgage Loan Forbearance Agreement also contains amended terms as to financial covenants and a 10% principal paydown in the amount of \$8,589,706.44 to be applied by the Lender upon execution of the Mortgage Loan Forbearance Agreement. Retroactive to January 1, 2024, Operating is required to accrue an additional 4% default interest, due and payable to Lender at the new maturity or loan prepayment. In addition, Operating paid 1% forbearance fee or \$858,971 to Lender upon execution of the Forbearance Agreement.

The Mezzanine Loan is secured by the Operating membership interest held by Mezzanine and is subordinated to the Mortgage Loan. The Mezzanine Loan had an interest rate of 9.75% per annum and a maturity date of January 1, 2024. Interest only payments were due monthly. On July 31, 2019, Mezzanine refinanced the Mezzanine Loan by entering into a new mezzanine loan agreement (“New Mezzanine Loan Agreement”) with Cred Reit Holdco LLC in the amount of \$20,000,000. The prior Mezzanine Loan was paid off. Interest rate on the new mezzanine loan is 7.25% and the loan matured on January 1, 2024. Interest only payments are due monthly. As additional security for the new mezzanine loan, there is a limited guaranty executed by the Company in favor of Cred Reit Holdco LLC (the “Mezzanine Guaranty” and, together with the Mortgage Guaranty, the “Guaranties”). On April 29, 2024, CRED REIT HOLDCO LLC (“Mezz Lender”) entered into a Forbearance Agreement (the “Mezz Forbearance Agreement”), all capitalized terms in this paragraph are used as defined in the Mezz Forbearance Agreement) with Mezzanine, an indirect subsidiary of the Company. Assuming no Termination Event occurs, Mezz Lender agrees to not take any action with respect to the loan facility set forth therein prior to January 1, 2025. The Mezz Lender also has advanced \$4.5 million for payment of the 10% principal paydown with respect to the Mortgage Loan Forbearance Agreement (defined below). Retroactive to January 1, 2024, Mezzanine will be required to accrue an additional 4% default interest and a 1% forbearance fee or \$245,000. During the Forbearance Period, no payments will be due to the Mezz Lender until the new maturity date or loan prepayment. Both forbearance agreements also contain customary and usual terms, events of default, transaction fees, and representations and warranties and covenants for like transactions.

In order to refinance the Hotel’s aforementioned debt, in May 2024, the Company entered into a financing procurement agreement with a global provider of financial advisory services to real estate owners. The Company will endeavor to refinance the aforementioned loans prior to their new maturity.

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 was 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 the \$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, 2024 and 2023, InterGroup is in compliance with both requirements. Justice Operating Company, LLC is not meeting certain of its loan covenants such as the Debt Service Coverage Ratio (“DSCR”) which would trigger the creation of a lockbox and cash sweep by the Lender for all cash collected by the Hotel, and under certain terms, would allow the Lender to request Operating to replace its hotel management company. However, such lockbox has been created and utilized from the loan inception and will be in place up to loan maturity regardless of the DSCR. Justice has not missed any of its debt service payments and does not anticipate missing any debt obligations up to their maturity.

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 2 years, payable interest only each month. InterGroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The loan was extended to July 31, 2023. On December 16, 2020, the Partnership and InterGroup entered into a loan modification agreement which increased the Partnership’s borrowing from InterGroup as needed up to \$10,000,000. Upon the dissolution of the Partnership in December 2021, Portsmouth assumed the Partnership’s note payable to InterGroup in the amount of \$11,350,000. On December 31, 2021, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth’s borrowing from InterGroup as needed up to \$16,000,000. In July 2023, the note maturity date was extended to July 31, 2025 and the borrowing amount available was increased to \$20,000,000. In March 2024, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth’s borrowing amount to \$30,000,000. Portsmouth agreed to a 0.5% loan modification fee for the increased borrowing of \$10,000,000 payable to InterGroup. During the fiscal year ending June 30, 2024 and 2023, InterGroup advanced to the Hotel \$10,793,000 and \$1,500,000, respectively, to fund its hotel operations. As of June 30, 2024 and 2023, the amounts due to InterGroup were \$26,493,000 and \$15,700,000, respectively. The Company has not made any paid-downs to its note payable to InterGroup. The Company could amend its by-laws and increase the number of authorized shares to issue additional shares to raise capital in the public markets if needed.

### **Item 3. Legal Proceedings.**

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

### **Item 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. As of June 30, 2024, the number of holders of record of the Company's Common Stock was approximately 126. 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 the Hotel 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, 2024 and does not have any publicly announced repurchase program.

#### Item 6. Reserved.

Not applicable.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements, related notes included thereto and Item 1A., "Risk Factors," appearing elsewhere in this Annual Report on Form 10-K. For the discussion and analysis of our 2023 financial condition and results of operations compared to 2024, refer to Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended June 30, 2024.*

#### NEGATIVE EFFECTS OF THE PUBLIC PERCEPTION OF SAN FRANCISCO

The San Francisco hospitality community continues to struggle with the perception that the city is plagued with homelessness, open air drug use, dirty streets, rampant crime, and an exodus of business and retail establishments. While these issues do exist, they are not anywhere near the levels at which people outside of the city believe them to be including those responsible for travel for organizations and individual leisure travelers. We know this to be true as our sales team along with the sales team of SF Travel report these concerns as the biggest impact on companies choosing not to bring their events to San Francisco. The city has done a great job of cleaning up the streets and is just getting started on clearing out homeless encampments, that will take time but should help the perception of city to those looking at us as a potential destination. Compounding the issue is a tight Mayoral race in which all the candidates, with the exception of one, the incumbent, are looking to play up these issues in an effort to get them elected by highlighting the shortcomings of the city. Many of the positive stories coming out about the city and its recovery, including the explosion of AI and the companies at the forefront of it based out of San Francisco are helping to change the narrative back to one of innovation and the future of technology.



## RESULTS OF OPERATIONS

The Company's principal source of revenue continues to be derived from its ownership in Justice Operating Company, LLC ("Operating") inclusive of hotel room revenue, food and beverage revenue, garage revenue, and revenue from other operating departments. Operating owns the Hotel and related facilities, including a five-level underground parking garage. The financial statements of Operating have been consolidated with those of the Company.

### Fiscal Year Ended June 30, 2024, Compared to Fiscal Year Ended June 30, 2023

The Company had a pre-tax net loss of \$11,374,000 and net loss of \$11,375,000 for the year ended June 30, 2024 compared to net pre-tax loss of \$5,291,000 and net loss of \$13,203,000 for the year ended June 30, 2023. The Company had an income tax provision expense adjustment of \$7,912,000 at June 30, 2023 mainly due to a valuation allowance on our deferred tax assets. The increase in pre-tax loss during June 30, 2024 over 2023, was as a result of increased operating expenses, increased mortgage interest expense from the 4% default additional interest rate on the senior and mezzanine loans as provided in the Forbearance Agreement entered into with its senior and mezzanine lenders retroactive to January 1, 2024 and an increase in related party accrued interest expense due to a higher balance due Intergroup.

The Company had net loss from Hotel operations of \$9,423,000 for the year ended June 30, 2024 compared to net loss of \$3,337,000 for the year ended June 30, 2023. The change was primarily attributable to a \$1,682,000 increase in operating expenses and the \$2,940,000 increase in interest expense-mortgages during period ended June 30, 2024.

The following table sets forth a more detailed presentation of Hotel operations for the years ended June 30, 2024 and 2023:

<b>For the year ended June 30,</b>	<b>2024</b>	<b>2023</b>
<b>Hotel revenues:</b>		
Hotel rooms	\$ 35,239,000	\$ 35,684,000
Food and beverage	3,213,000	2,625,000
Garage	2,988,000	2,790,000
Other operating departments	446,000	928,000
Total hotel revenues	41,886,000	42,027,000
Operating expenses excluding depreciation and amortization	(36,139,000)	(34,457,000)
Operating income before interest, depreciation, and amortization	5,747,000	7,570,000
Interest expense - mortgages	(9,407,000)	(6,467,000)
Interest expense – related party	(2,369,000)	(1,725,000)
Depreciation and amortization expense	(3,394,000)	(2,715,000)
Net loss from Hotel operations	<u>\$ (9,423,000)</u>	<u>\$ (3,337,000)</u>

For the year ended June 30, 2024, the Hotel had operating income of \$5,747,000 before interest, depreciation, and amortization on total operating revenues of \$41,886,000. The following table sets forth the monthly average occupancy percentage of the Hotel for the fiscal years ended June 30, 2024 and 2023.

<b>Month</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Fiscal Year</b>
<b>Year</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>	<b>2024</b>	<b>2024</b>	<b>2024</b>	<b>2024</b>	<b>2023 - 2024</b>
Average Occupancy %	81%	89%	93%	83%	79%	80%	80%	78%	76%	73%	78%	87%	82%
<b>Year</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2022 - 2023</b>
Average Occupancy %	93%	94%	95%	89%	82%	77%	76%	77%	81%	65%	80%	83%	83%

Beginning in November 2022, the occupancy of our hotel has been reduced by approximately 13% -18% every month to reflect the “out-of-order” rooms that were being renovated at any given time. As of June 30, 2024 the guestroom renovation was completed. Additionally, 14 guest rooms will be added during fiscal year 2025 to inventory as a result of renovating such rooms which had been repurposed for administrative offices in past years.

Total operating expenses increased by \$1,682,000 due to increase in rooms, food and beverage, salaries and wages, utilities, credit card commissions, and franchise fees.

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 years ended June 30, 2024 and 2023.

<u>For the Year Ended June 30,</u>	<u>Average Daily Rate</u>	<u>Average Occupancy %</u>	<u>RevPAR</u>
<b>2024</b>	\$ 217	82%	\$ 177
<b>2023</b>	\$ 217	83%	\$ 180

The Hotel’s revenues decreased by less than 1% year over year. Average daily rate remained the same, average occupancy decreased 1%, and RevPAR decreased by \$3 for the twelve months ended June 30, 2024 compared to the twelve months ended June 30, 2023.

The Hotel started its’ full renovation of all guest rooms and suites mid-November 2022 and completed the renovation by June 30, 2024.

The Company had a net loss on marketable securities of \$122,000 for the year ended June 30, 2024 compared to a net gain on marketable securities of \$51,000 for the year ended June 30, 2023. For the year ended June 30, 2024, the Company had a net realized loss of \$39,000 and a net unrealized loss of \$83,000. For the year ended June 30, 2023, the Company had a net realized loss of \$137,000 and a net unrealized gain of \$188,000. Gains and losses on marketable securities may fluctuate significantly from period to period in the future. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company’s marketable securities see the Marketable Securities section below.

The Company had no other investments at June 30, 2024 and 2023.

The Company consolidates Justice (Hotel) for financial reporting purposes and is taxed on its Hotel operations. The Company does not record an income tax benefit from its pre-tax losses due to its continued operating losses during the past three consecutive taxable years. For the year ended June 30, 2023 a \$7,912,000 income tax expense was recorded due to the setup of a valuation allowance on deferred tax assets.

## MARKETABLE SECURITIES AND OTHER INVESTMENTS

As of June 30, 2024 and 2023, the Company had investments in marketable equity securities of \$209,000 and \$359,000, respectively. The following table shows the composition of the Company's marketable securities portfolio by selected industry groups:

As of June 30, 2024		
Industry Group	Fair Value	% of Total Investment Securities
REITs and real estate companies	\$ 202,000	96.7%
Basic materials	7,000	3.3%
	<u>\$ 209,000</u>	<u>100.0%</u>

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

The following table shows the net gain or loss on the Company's marketable securities and the associated margin interest and trading expenses for the respective years.

For the years ended June 30,	2024	2023
Net (loss) gain on marketable securities	\$ (122,000)	\$ 51,000
Dividend and interest income	13,000	36,000
Margin interest expense	-	(1,000)
Trading expenses	(160,000)	(247,000)
Net loss from marketable securities	<u>\$ (269,000)</u>	<u>\$ (161,000)</u>

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL SOURCES

The Company had cash, cash equivalents and restricted cash of \$4,775,000 and \$5,206,000 as of June 30, 2024 and 2023, respectively. The Company had marketable securities, net of margin due to securities broker, of \$209,000 and \$359,000 as of June 30, 2024 and 2023, respectively. These marketable securities are short-term investments and liquid in nature.

On December 16, 2020, Justice and InterGroup entered into a loan modification agreement which increased Justice's borrowing from InterGroup as needed up to \$10,000,000 and extended the maturity date of the loan to July 31, 2021. As of the date of this report, the maturity date was extended to July 31, 2025. Upon the dissolution of Justice in December 2021, Portsmouth assumed Justice's note payable to InterGroup in the amount of \$11,350,000. On December 31, 2021, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing from InterGroup as needed up to \$16,000,000. In July 2023, Portsmouth and InterGroup entered into a new loan modification agreement which increased Portsmouth's borrowing from InterGroup up to \$20,000,000. In March 2024, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing amount to \$30,000,000. Portsmouth agreed to a 0.5% loan modification fee for the increased borrowing of \$10,000,000 payable to InterGroup. During the fiscal year ending June 30, 2024 and 2023, InterGroup advanced to the Hotel \$10,793,000 and \$1,500,000, respectively, to fund its hotel operations. As of June 30, 2024 and 2023, the amounts due to InterGroup were \$26,493,000 and \$15,700,000, respectively. The Company has not made any paid-downs to its note payable to InterGroup. The Company could amend its by-laws and increase the number of authorized shares to issue additional shares to raise capital in the public markets if needed.

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

Our long-term liquidity requirements primarily consist of funds necessary to pay for scheduled debt maturities and capital improvements of the Hotel. We will continue to finance our business activities primarily with existing cash, including from the activities described above, and cash generated from our operations. The objectives of our cash management policy are to maintain existing leverage levels and the availability of liquidity, while minimizing operational costs. We believe that our cash on hand, along with other potential sources of liquidity that management may be able to obtain, will be sufficient to fund our working capital needs. As well as our capital lease and debt obligations, even if current levels of occupancy and revenue per occupied room ("RevPAR", calculated by multiplying the hotel's average daily room rate by its occupancy percentage) were to persist for at least the next twelve months and beyond. However, there can be no guarantee that management will be successful with its plan.

#### Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As discussed in Note 9 – Mortgage Notes Payable, as of June 30, 2024, the outstanding balance consists of a senior mortgage loan and mezzanine loan totaling \$100,783,000, net of debt issuance costs amounting to \$679,000. Both loans matured on January 1, 2024, in addition, the Company has recurring losses and has an accumulated deficit of \$117,102,000 which includes a \$64,100,000 increase adjustment made in December 2013 as a result of the partnership redemption.

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

On January 4, 2024, the Company was made aware of a notice of default (the "Notice") issued by its senior loan special servicer LNR Partners, LLC to Justice Operating Company, LLC which is the wholly owned subsidiary of Portsmouth. The Notice states that the lender has rights as a result of such defaults, including, but not limited to, acceleration of the loans, foreclosure on collateral and other rights and remedies under the loan documents and otherwise available under the law. On January 10, 2024, the Company filed the required Form 8-K with the Securities and Exchange Commission. During the entire life of the outstanding debt, the Company has made all mortgage payments timely as of the date of maturity and as of June 30, 2024, there were no delinquent amounts due to the senior or mezzanine lenders. On April 29, 2024, the Company entered into forbearance agreements with its senior and mezzanine lenders which establishes, among other customary terms, the new maturity date of January 1, 2025. While the Company successfully entered into the aforementioned forbearance agreements, we continue our efforts to place a longer-term refinancing solution to its current senior mortgage and mezzanine debt with potential lenders. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all.

The Hotel has successfully completed its full guest-rooms renovation over the last 2 years along with public space, fitness center, corridors, and meeting space. With newly renovated rooms in its Competitive Set of hotels ("CompSet") will allow the Hotel to continue to drive rate and grow RevPAR over the market and its CompSet. The hotel recently received its annual Quality Assurance inspection from Hilton and received the highest score at least in the hotel's last decade at 94.45% which is an "Outstanding" ranking by Hilton.

Even during the renovation that took out between 2-4 floors or 50-100 guest rooms of inventory at a time, the Hotel maintained an index of over 100%. At the end of the renovation in June 2024, the Hotel's trailing 12-month index was 109.6%. During the fiscal year ending June 30, 2024, the Hotel's CompSet achieved a RevPAR of \$161.47 while the Hotel had a RevPAR of \$176.99. An excellent achievement for our property while it had roughly 13%-18% of its inventory unavailable over this time period. Since the completion of the renovation, the Hotel has increased its lead in RevPAR on the CompSet dramatically. In the two months since completing the renovation, the Hotel has achieved an average RevPAR index of over 150% for both months. While the CompSet has lost over 15% RevPAR; in these two months, the Hotel has grown over 15% in this metric.

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

#### MATERIAL CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company's material financial obligations which also includes interest.

	Total	Year 2025	Year 2026	Year 2027	Year 2028	Year 2029	Thereafter
Mortgage notes payable	\$ 101,462,000	\$ 101,462,000	\$ -	\$ -	\$ -	\$ -	\$ -
Related party notes payable	26,493,000	-	26,493,000	-	-	-	-
Other notes payable	2,388,000	567,000	567,000	463,000	317,000	317,000	157,000
Interest	8,576,000	8,304,000	272,000	-	-	-	-
<b>Total</b>	<b>\$ 138,919,000</b>	<b>\$ 110,333,000</b>	<b>\$ 27,332,000</b>	<b>\$ 463,000</b>	<b>\$ 317,000</b>	<b>\$ 317,000</b>	<b>\$ 157,000</b>

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no material off balance sheet arrangements.

## IMPACT OF INFLATION

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those that are most significant to the portrayal of our financial position and results of operations and require judgments by management in order to make estimates about the effect of matters that are inherently uncertain. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an ongoing basis, including those related to the consolidation of our subsidiaries, to our revenues, allowances for bad debts, accruals, asset impairments, other investments, income taxes and commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions.

## INCOME TAXES

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

## DEFERRED INCOME TAXES – VALUATION ALLOWANCE

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

## HOTEL ASSETS AND DEFINITE-LIVED INTANGIBLE ASSETS

We evaluate property and equipment, and definite-lived intangible assets for impairment quarterly, and when events or circumstances indicate the carrying value may not be recoverable, we evaluate the net book value of the assets by comparing to the projected undiscounted cash flows of the assets. We use judgment to determine whether indications of impairment exist and consider our knowledge of the hospitality industry, historical experience, location of the property, market conditions, and property-specific information available at the time of the assessment. The results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis. When an indicator of impairment exists, judgment is also required in determining the assumptions and estimates to use within the recoverability analysis and when calculating the fair value of the asset or asset group, if applicable. Changes in economic and operating conditions impacting the judgments used could result in impairments to our long-lived assets in future periods. Historically, changes in estimates used in the property and equipment and definite-lived intangible assets impairment assessment process have not resulted in material impairment charges in subsequent periods as a result of changes made to those estimates. There were no indicators of impairment on its hotel investments or intangible assets and accordingly no impairment losses recorded for the years ended June 30, 2024 and 2023.

## 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

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Portsmouth Square, Inc. and its subsidiaries (the “Company”) as of June 30, 2024 and 2023, and the related consolidated statements of operations, shareholders’ deficit, and cash flows for the years 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 financial position of the Company as of June 30, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

### Going Concern

The accompanying consolidated financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 1, the outstanding balance as of June 30, 2024 of the hotel’s mortgage notes payable consists of a senior mortgage loan and mezzanine loan totaling \$100,783,000, net of debt issuance costs amounting to \$679,000. Both loans matured on January 1, 2024, and were subsequently extended to January 1, 2025 through forbearance agreements. In addition, the Company has recurring losses and has an accumulated deficit of \$117,102,000. These factors and the Company’s ability to successfully refinance the debt on favorable terms in the current lending environment raise substantial doubt about the Company’s ability to continue as a going concern for one year after the financial statement issuance date. Management’s plans in regard to this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### Basis for Opinion

These consolidated financial statements are the responsibility of the entity’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 audits 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 audits 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 audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits 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 audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Description of the Matters: Deferred Tax Asset Valuation Allowance*

As discussed in Note 12 to the consolidated financial statements, it was determined that it is more likely than not that the deferred tax assets at June 30, 2024 and 2023 will not be realized and thus a full valuation allowance has been recorded.

We identified the deferred tax asset valuation allowance as a critical audit matter due to the uncertainty, subjectivity, estimates and judgments required by management when forecasting future profitability and determining whether or not it is likely that the deferred tax assets will be realized.

#### *How We Addressed the Matters in Our Audit*

To test the Company’s conclusions about their deferred tax valuation allowance, we audited the deferred tax assets and evaluated the need for a valuation allowance by considering both positive and negative conditions, with the assistance of an internal tax provision specialist. In addition to considering the impact of any subsequent events, we analyzed the Company’s history of cumulative losses in recent years.

*/s/ WithumSmith+Brown, PC*

We have served as the Company’s auditor since 2022.

East Brunswick, NJ  
September 30, 2024

PCAOB ID Number 100

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

As of	June 30, 2024	June 30, 2023
<b>ASSETS</b>		
Investment in hotel, net	\$ 35,065,000	\$ 34,381,000
Investment in marketable securities	209,000	359,000
Cash and cash equivalents	3,511,000	2,295,000
Restricted cash	1,264,000	2,911,000
Accounts receivable - hotel, net	519,000	419,000
Other assets	834,000	735,000
<b>Total assets</b>	<b>\$ 41,402,000</b>	<b>\$ 41,100,000</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Liabilities:</b>		
Accounts payable and other liabilities - Hotel	\$ 13,756,000	\$ 11,615,000
Accounts payable and other liabilities	1,477,000	66,000
Accounts payable to related party	11,515,000	7,283,000
Related party notes payable	26,493,000	15,700,000
Other notes payable	2,388,000	2,954,000
Mortgage notes payable - Hotel, net	100,783,000	107,117,000
<b>Total liabilities</b>	<b>156,412,000</b>	<b>144,735,000</b>
Commitments and Contingencies - Note 15		
<b>Shareholders' deficit:</b>		
Common stock, no par value: Authorized shares - 750,000; 734,187 shares issued and outstanding as of June 30, 2024 and 2023, respectively	2,092,000	2,092,000
Accumulated deficit	(117,102,000)	(105,727,000)
<b>Total shareholders' deficit</b>	<b>(115,010,000)</b>	<b>(103,635,000)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 41,402,000</b>	<b>\$ 41,100,000</b>

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

**PORTSMOUTH SQUARE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

<u>For the years ended June 30,</u>	<u>2024</u>	<u>2023</u>
<b>Revenue - Hotel</b>	\$ 41,886,000	\$ 42,027,000
<b>Costs and operating expenses</b>		
Hotel operating expenses	(36,139,000)	(34,457,000)
Hotel depreciation and amortization expense	(3,394,000)	(2,715,000)
General and administrative expense	(1,682,000)	(1,793,000)
Total costs and operating expenses	(41,215,000)	(38,965,000)
Income from operations	671,000	3,062,000
Other income (expense)		
Interest expense - mortgage	(9,407,000)	(6,467,000)
Interest expense - related party	(2,369,000)	(1,725,000)
Net realized loss on marketable securities	(39,000)	(137,000)
Net unrealized (loss) gain on marketable securities	(83,000)	188,000
Dividend and interest income	13,000	36,000
Trading and margin interest expense	(160,000)	(248,000)
Total other expense, net	(12,045,000)	(8,353,000)
Loss before income taxes	(11,374,000)	(5,291,000)
Income tax expense	(1,000)	(7,912,000)
<b>Net loss</b>	<u>\$ (11,375,000)</u>	<u>\$ (13,203,000)</u>
Basic and diluted net loss per share	<u>\$ (15.49)</u>	<u>\$ (17.98)</u>
Weighted average number of common shares outstanding - basic and diluted	<u>734,187</u>	<u>734,187</u>

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



**PORTSMOUTH SQUARE, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT**

	<u>Common Stock</u>		<u>Accumulated Deficit</u>	<u>Total Shareholders' Deficit</u>
	<u>Shares</u>	<u>Amount</u>		
<b>Balance at July 1, 2022</b>	734,187	\$ 2,092,000	\$ (92,524,000)	\$ (90,432,000)
Net loss	-	-	(13,203,000)	(13,203,000)
<b>Balance at June 30, 2023</b>	<u>734,187</u>	<u>2,092,000</u>	<u>(105,727,000)</u>	<u>(103,635,000)</u>
Net loss	-	-	(11,375,000)	(11,375,000)
<b>Balance at June 30, 2024</b>	<u><u>734,187</u></u>	<u><u>\$ 2,092,000</u></u>	<u><u>\$ (117,102,000)</u></u>	<u><u>\$ (115,010,000)</u></u>

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

**PORTSMOUTH SQUARE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<b>For the year ended June 30,</b>	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (11,375,000)	\$ (13,203,000)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Net unrealized loss (gain) on marketable securities	83,000	(188,000)
Amortization of other notes payable	(566,000)	(567,000)
Deferred income taxes	-	7,911,000
Depreciation and amortization	3,394,000	2,715,000
Amortization of loan cost	920,000	244,000
Changes in operating assets and liabilities:		
Investment in marketable securities	67,000	370,000
Accounts receivable - Hotel, net	(100,000)	(42,000)
Other assets	(99,000)	117,000
Accounts payable and other liabilities - Hotel	2,141,000	3,308,000
Accounts payable and other liabilities	1,411,000	(169,000)
Accounts payable related party	4,232,000	2,375,000
Due to securities broker	-	(130,000)
Net cash provided by operating activities	<u>108,000</u>	<u>2,741,000</u>
<b>Cash flows from investing activities:</b>		
Payments for hotel furniture, equipment and building improvements	(4,078,000)	(5,866,000)
Net cash used in investing activities	<u>(4,078,000)</u>	<u>(5,866,000)</u>
<b>Cash flows from financing activities:</b>		
Issuance costs from forbearance	(1,477,000)	-
Proceeds from mortgage note payable	4,500,000	-
Proceeds from related party note payable	10,793,000	1,500,000
Payments of mortgage and finance leases	(10,277,000)	(2,057,000)
Net cash provided by (used in) financing activities	<u>3,539,000</u>	<u>(557,000)</u>
<b>Net decrease in cash, cash equivalents, and restricted cash</b>	<b>(431,000)</b>	<b>(3,682,000)</b>
Cash, cash equivalents, and restricted cash at the beginning of the period	5,206,000	8,888,000
Cash, cash equivalents, and restricted cash at the end of the period	<u>\$ 4,775,000</u>	<u>\$ 5,206,000</u>
Supplemental information:		
Interest paid	<u>\$ 4,837,000</u>	<u>\$ 6,468,000</u>
Taxes paid	<u>\$ 1,000</u>	<u>\$ 23,000</u>

The Company had cash and cash equivalents of \$3,511,000 and \$2,295,000 as of June 30, 2024 and 2023, respectively. The Company had restricted cash of \$1,264,000 and \$2,911,000 as of June 30, 2024 and 2023, respectively.

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

**PORTSMOUTH SQUARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES**

**Description of Business**

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

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

Operating entered into a hotel management agreement ("HMA") with Aimbridge Hospitality ("Aimbridge") to manage the Hotel, along with its five-level parking garage, with an effective date of February 3, 2017. The term of the management agreement is for an initial period of ten years commencing on the February 3, 2017 date and automatically renews for successive one (1) year periods, not to exceed five years in the aggregate, subject to certain conditions. Under the terms on the HMA, base management fee ("Basic Fee") payable to Aimbridge shall be one and seven-tenths percent (1.70%) of total Hotel revenue. In addition to the Basic Fee, Aimbridge shall be entitled to an annual incentive fee for each fiscal year equal to ten percent (10%) of the amount by which Gross Operating Profit in the current fiscal year exceeds the previous fiscal year's Gross Operating Profit.

As of June 30, 2024, The InterGroup Corporation ("InterGroup"), a public company, owns approximately 75.7% of the outstanding common shares of Portsmouth. As of June 30, 2024, the Company's Chairman of the Board and Chief Executive Officer, John V. Winfield, owns approximately 2.5% of the outstanding common shares of the Company. Mr. Winfield also serves as the President, Chairman of the Board and Chief Executive Officer of InterGroup and owns approximately 69.4% of the outstanding common shares of InterGroup as of June 30, 2024.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and Justice up to its dissolution in December 2021 at which time all subsidiaries of Justice became subsidiaries of Portsmouth as the Company replaced Justice as the single member of Justice's subsidiaries where appropriate. 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 Company will recognize an impairment loss equal to the difference between the assets' 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, 2024 and 2023.

**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.

**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. As of June 30, 2024 and 2023, the Company does not have any cash equivalents.

**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.

**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 net accounts receivable balance on July 1, 2022 was \$377,000. As of June 30, 2024 and 2023, the Company has gross accounts receivable of \$519,000 and \$419,000 respectively, and allowance for doubtful accounts of \$0 and \$1,000, respectively. The Company extends unsecured credit to its customers but mitigates the associated credit risk by performing ongoing credit evaluations of its customers.

**Other Assets**

Other assets include prepaid insurance, estimated life insurance proceeds, prepaid expenses, other investments, net, and other miscellaneous assets.

**Income Taxes**

The Company consolidated Justice ("Hotel") for financial reporting purposes up to its dissolution in December 2021 and was not taxed on its non-controlling interest in the Hotel. Effective July 15, 2021, the Company became the owner of 100% of Justice and began to include all the Hotel's income and expense accounts into its income taxes calculations going forward. The income tax expense was \$1,000 for the year ended June 30, 2024, for the pre-tax loss due to its continued full allowance against the Company's deferred tax assets resulting from ongoing pre-tax losses over a period of three years. During the year ended June 30, 2023, an income tax expense loss due to the recording of a full valuation allowance on the Companies deferred tax assets.

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.

The Company accounts for its uncertain tax positions pursuant to *ASC 740, Income Taxes*. This guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities, a benefit will be recognized at the largest amount that it believes is cumulatively greater than 50% likely to be realized. A table summarizing the Company's uncertain positions is presented in the income tax footnote section. Further, any interest or penalties associated with uncertain tax positions shall be recorded in the income tax provision. As of June 30, 2024 and 2023, no interest and penalties were recorded.

#### **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.

#### **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

### Performance Obligations

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

- *Cancelable room reservations or ancillary services* are typically satisfied as the good or service is transferred to the hotel guest, which is generally when the room stay occurs.
- *Noncancelable room reservations and banquet or conference reservations* represent a series of distinct goods or services provided over time and satisfied as each distinct good or service is provided, which is reflected by the duration of the room reservation.
- *Other ancillary goods and services* are purchased independently of the room reservation at standalone selling prices and are considered separate performance obligations, which are satisfied when the related good or service is provided to the hotel guest.
- *Components of package reservations* for which each component could be sold separately to other hotel guests are considered separate performance obligations and are satisfied as set forth above.

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

We do not disclose the value of unsatisfied performance obligations for contracts with an expected length of one year or less. Due to the nature of our business, our revenue is not significantly impacted by refunds. Cash payments received in advance of guests staying at our hotel are refunded to hotel guests if the guest cancels within the specified time period, before any services are rendered. Refunds related to service are generally recognized as an adjustment to the transaction price at the time the hotel stay occurs or services are rendered. See Note 3 – Revenue.

### Advertising Costs

Advertising costs are expensed as incurred and are included in Hotel operating expenses in the consolidated statements of operations. Advertising costs were \$150,000 and \$130,000 for the years ended June 30, 2024 and 2023, respectively.

### Basic and Diluted Loss per Share

Basic loss per share is calculated based upon the weighted average number of common shares outstanding during each fiscal year. As of June 30, 2024 and 2023, the Company did not have any potentially dilutive securities outstanding.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Actual results may differ from those estimates. Management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets and when appropriate, records tax valuation allowances based on that evidence and estimates. As of June 30, 2024 based on taxable income that may be available under tax law the deferred taxed asset is not set more likely than not to be realized.

## **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.

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

In November 2023, the FASB issued ASU No 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures” (“ASU 2023-07”). ASU 2023-07 expands disclosures about a public entity’s reportable segments and requires more enhanced information about a reportable segment’s expenses, interim segment profit or loss, and how a public entity’s chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. ASU 2023-07 should be applied retrospectively to all prior periods presented in the financial statements. The Company does not expect ASU 2023-07 to have a material effect on the Company’s current financial position, results of operations or financial statement disclosures.

In December 2023, the FASB issued ASU No 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”). ASU 2023-09 expands disclosures in the rate reconciliation and requires disclosure of income taxes paid by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. ASU 2023-09 should be applied prospectively; however, retrospective application is permitted. The Company does not expect ASU 2023-09 to have a material effect on the Company’s current financial position, results of operations or financial statement disclosures.

## **Going Concern**

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As discussed in Note 9 – Mortgage Notes Payable, as of June 30, 2024, the outstanding balance consists of a senior mortgage loan and mezzanine loan totaling \$100,783,000, net of debt issuance costs amounting to \$679,000. Both loans matured on January 1, 2024, in addition, the Company has recurring losses and has an accumulated deficit of \$117,102,000 which includes a \$64,100,000 increase adjustment made in December 2013 as a result of the partnership redemption.

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

On January 4, 2024, the Company was made aware of a notice of default (the “Notice”) issued by its senior loan special servicer LNR Partners, LLC to Justice Operating Company, LLC which is the wholly owned subsidiary of Portsmouth. The Notice states that the lender has rights as a result of such defaults, including, but not limited to, acceleration of the loans, foreclosure on collateral and other rights and remedies under the loan documents and otherwise available under the law. On January 10, 2024, the Company filed the required Form 8-K with the Securities and Exchange Commission. During the entire life of the outstanding debt, the Company has made all mortgage payments timely as of the date of maturity and as of June 30, 2024, there were no delinquent amounts due to the senior or mezzanine lenders. On April 29, 2024, the Company entered into forbearance agreements with its senior and mezzanine lenders which establishes, among other customary terms, the new maturity date of January 1, 2025. While the Company successfully entered into the aforementioned forbearance agreements, we continue our efforts to place a longer-term refinancing solution to its current senior mortgage and mezzanine debt with potential lenders. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all.

The Hotel has successfully completed its full guest-rooms renovation over the last 2 years along with public space, fitness center, corridors, and meeting space. With newly renovated rooms in its Competitive Set of hotels (“CompSet”) will allow the Hotel to continue to drive rate and grow RevPAR over the market and its CompSet. The hotel recently received its annual Quality Assurance inspection from Hilton and received the highest score at least in the hotel’s last decade at 94.45% which is an “Outstanding” ranking by Hilton.

Even during the renovation that took out between 2-4 floors or 50-100 guest rooms of inventory at a time, the Hotel maintained an index of over 100%. At the end of the renovation in June 2024, the Hotel’s trailing 12-month index was 109.6%. During the fiscal year ending June 30, 2024, the Hotel’s CompSet achieved a RevPAR of \$161.47 while the Hotel had a RevPAR of \$176.99. An excellent achievement for our property while it had roughly 13%-18% of its inventory unavailable over this time period. Since the completion of the renovation, the Hotel has increased its lead in RevPAR on the CompSet dramatically. In the two months since completing the renovation, the Hotel has achieved an average RevPAR index of over 150% for both months. While the CompSet has lost over 15% RevPAR; in these two months, the Hotel has grown over 15% in this metric.

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

## **NOTE 2 - LIQUIDITY**

Historically, our cash flows have been primarily generated from our Hotel operations. However, the current state of affairs of the City of San Francisco, its political challenges as well as the way its local government’s policies with regard to safety, drug abuse, homelessness, crime, etc., have caused the City of San Francisco to be one of the slowest cities in the country to fully recover from the COVID-19 pandemic. Additionally, since San Francisco is a top-heavy tech company city, the “remote work” initiatives have caused a slowdown in business travel and in person meetings. Prior to the COVID-19 pandemic, our Hotel enjoyed most of its revenues from business travel, conventions, self-contained groups, etc., and post pandemic, most revenues are generated from leisure travel which is generally at a lower guest room rate. For the fiscal years ended June 30, 2024 our net cash provided by operating activities was \$108,000. We continue to maintain several steps to preserve capital and increase liquidity at our Hotel, including implementing strict cost management measures to eliminate non-essential expenses, renegotiating certain reoccurring expenses, and temporarily closing certain hotel services and outlets. As the hospitality and travel environment continues to slowly recover in San Francisco, the Company will continue to evaluate what services bring back. During the fiscal year ended June 30, 2024, the Company continued to make capital improvements to the Hotel in the amount of \$4,078,000 and has completed its hotel renovation program.

The Company had cash and cash equivalents of \$3,511,000 and \$2,295,000 as of June 30, 2024 and 2023, respectively. The Company had restricted cash of \$1,264,000 and \$2,911,000 as of June 30, 2024 and 2023, respectively. The Company had marketable securities, net of margin due to securities brokers, of \$209,000 and \$359,000 as of June 30, 2024 and 2023, respectively. These marketable securities are short-term investments and liquid in nature.

On July 2, 2014, the Partnership obtained from InterGroup an unsecured loan in the principal amount of \$4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. InterGroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The loan was extended to July 31, 2023. On December 16, 2020, the Partnership and InterGroup entered into a loan modification agreement which increased the Partnership’s borrowing from InterGroup as needed up to \$10,000,000. Upon the dissolution of the Partnership in December 2021, Portsmouth assumed the Partnership’s note payable to InterGroup in the amount of \$11,350,000. On December 31, 2021, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth’s borrowing from InterGroup as needed up to \$16,000,000. In July 2023, the note maturity date was extended to July 31, 2025 and the borrowing amount available was increased to \$20,000,000. In March 2024, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth’s borrowing amount to \$30,000,000. Portsmouth agreed to a 0.5% loan modification fee for the increased borrowing of \$10,000,000 payable to InterGroup. During the fiscal year ending June 30, 2024 and 2023, InterGroup advanced to the Hotel \$10,793,000 and \$1,500,000, respectively, to fund its hotel operations. As of June 30, 2024 and 2023, the amounts due to InterGroup were \$26,493,000 and \$15,700,000, respectively. The Company has not made any paid-downs to its note payable to InterGroup. The Company could amend its by-laws and increase the number of authorized shares to issue additional shares to raise capital in the public markets if needed.



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

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

The following table provides a summary as of June 30, 2024, the Company's material financial obligations which also including interest payments:

	Total	Year 2025	Year 2026	Year 2027	Year 2028	Year 2029	Thereafter
Mortgage notes payable	\$ 101,462,000	\$ 101,462,000	\$ -	\$ -	\$ -	\$ -	\$ -
Related party notes payable	26,493,000	-	26,493,000	-	-	-	-
Other notes payable	2,388,000	567,000	567,000	463,000	317,000	317,000	157,000
Interest	8,576,000	8,304,000	272,000	-	-	-	-
<b>Total</b>	<b>\$ 138,919,000</b>	<b>\$ 110,333,000</b>	<b>\$ 27,332,000</b>	<b>\$ 463,000</b>	<b>\$ 317,000</b>	<b>\$ 317,000</b>	<b>\$ 157,000</b>

### NOTE 3 - REVENUE

The following table present our revenue disaggregated by revenue streams.

<b>For the year ended June 30,</b>	<b>2024</b>	<b>2023</b>
Hotel revenues:		
Hotel rooms	\$ 35,239,000	\$ 35,684,000
Food and beverage	3,213,000	2,625,000
Garage	2,988,000	2,790,000
Other operating departments	446,000	928,000
<b>Total Hotel revenue</b>	<b>\$ 41,886,000</b>	<b>\$ 42,027,000</b>

### Contract Assets and Liabilities

The Company does not have any material contract assets as of June 30, 2024 and 2023, other than trade and other receivables, net on our consolidated balance sheets. Our receivables are primarily the result of contracts with customers, which are reduced by an allowance for doubtful accounts that reflects our estimate of amounts that will not be collected.

The Company records contract liabilities when cash payments are received or due in advance of guests staying at our hotel, which are presented within accounts payable and other liabilities on our consolidated balance sheets and had a balance of \$290,000 at July 1, 2023. During the year ended June 30, 2024, the entire \$290,000 was recognized as revenue. Contract liabilities increased to \$370,000 as of June 30, 2024. The increase as of June 30, 2024, was primarily driven by an increase in advance deposits received from customers for services to be performed after June 30, 2024. Contract liabilities decreased to \$290,000 as of June 30, 2023 from \$493,000 as of June 30, 2022. The decrease for the twelve months ended June 30, 2023 was primarily driven by decrease in advance deposits received from customers for services to be performed after June 30, 2023.

### Contract Costs

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

**NOTE 4 – INVESTMENT IN HOTEL, NET**

Investment in Hotel consisted of the following as of:

<b>June 30, 2024</b>	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 1,124,000	\$ -	\$ 1,124,000
Finance lease ROU assets	1,805,000	(1,521,000)	284,000
Furniture and equipment	40,310,000	(31,396,000)	8,914,000
Building and improvements	58,769,000	(34,026,000)	24,743,000
Investment in Hotel, net	<u>\$ 102,008,000</u>	<u>\$ (66,943,000)</u>	<u>\$ 35,065,000</u>

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

Finance lease ROU assets, furniture and equipment are stated at cost, depreciated on a straight-line basis over their useful lives ranging from 3 to 7 years and amortized over the life of the lease. Building and improvements are stated at cost, depreciated on a straight-line basis over their useful lives ranging from 15 to 39 years. Depreciation and amortization for the year ended June 30, 2024, and 2023 was \$3,394,000 and \$2,715,000, respectively.

**NOTE 5 - INVESTMENT IN MARKETABLE SECURITIES**

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

As of June 30, 2024 and 2023, all of the Company's marketable securities are classified as trading securities. The change in the unrealized gains and losses on these investments are included in earnings. Trading securities are summarized as follows:

Investment	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Gain	Fair Value
<b>As of June 30, 2024</b>					
Corporate					
Equities	\$ 207,000	\$ 38,000	\$ (36,000)	\$ 2,000	\$ 209,000
<b>As of June 30, 2023</b>					
Corporate					
Equities	\$ 274,000	\$ 133,000	\$ (48,000)	\$ 85,000	\$ 359,000

As of June 30, 2024 and 2023, the Company had \$2,000 of unrealized gain related to securities held for over one year.

Net (loss) gain on marketable securities on the statement of operations is comprised of realized and unrealized losses. Below is the breakdown of the two components for the years ended June 30, 2024 and 2023, respectively.

For the year ended June 30,	2024	2023
Realized loss on marketable securities	\$ (39,000)	\$ (137,000)
Unrealized (loss) gain on marketable securities	(83,000)	188,000
Net (loss) gain on marketable securities	\$ (122,000)	\$ 51,000

#### NOTE 6 - FAIR VALUE MEASUREMENTS

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

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

As of June 30, 2024 Industry Group	Fair Value	% of Total Investment Securities
REITs and real estate companies	\$ 202,000	96.7%
Basic materials	7,000	3.3%
	\$ 209,000	100.0%

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

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

#### NOTE 7 – OTHER ASSETS

Other assets consist of the following as of June 30:

	2024	2023
Inventory - Hotel	\$ 27,000	\$ 27,000
Prepaid expenses	540,000	424,000
Miscellaneous assets	267,000	284,000
Total other assets	<u>\$ 834,000</u>	<u>\$ 735,000</u>

#### NOTE 8 – RELATED PARTY AND OTHER FINANCING TRANSACTIONS

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

As of June 30,	2024	2023
Related party note payable - InterGroup	\$ 26,493,000	\$ 15,700,000
Other note payable - Hilton	1,742,000	2,058,000
Other note payable - Aimbridge	646,000	896,000
Total related party and other notes payable	<u>\$ 28,881,000</u>	<u>\$ 18,654,000</u>

On July 2, 2014, the Partnership obtained from InterGroup an unsecured loan in the principal amount of \$4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. InterGroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The loan was extended to July 31, 2023. On December 16, 2020, the Partnership and InterGroup entered into a loan modification agreement which increased the Partnership's borrowing from InterGroup as needed up to \$10,000,000. Upon the dissolution of the Partnership in December 2021, Portsmouth assumed the Partnership's note payable to InterGroup in the amount of \$11,350,000. On December 31, 2021, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing from InterGroup as needed up to \$16,000,000. In July 2023, the note maturity date was extended to July 31, 2025 and the borrowing amount available was increased to \$20,000,000. In March 2024, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing amount to \$30,000,000. Portsmouth agreed to a 0.5% loan modification fee for the increased borrowing of \$10,000,000 payable to InterGroup. During the fiscal year ending June 30, 2024 and 2023, InterGroup advanced to the Hotel \$10,793,000 and \$1,500,000, respectively, to fund its hotel operations. As of June 30, 2024 and 2023, the amounts due to InterGroup were \$26,493,000 and \$15,700,000, respectively. The Company has not made any paid-downs to its note payable to InterGroup. The Company could amend its by-laws and increase the number of authorized shares to issue additional shares to raise capital in the public markets if needed.

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

On February 1, 2017, Operating entered an HMA with Ambridge to manage the Hotel with an effective takeover date of February 3, 2017. The term of the management agreement is for an initial period of 10 years commencing on the takeover date and automatically renews for an additional year not to exceed five years in aggregate subject to certain conditions. The HMA also provides for Ambridge to advance a key money incentive fee to the Hotel for capital improvements in the amount of \$2,000,000 under certain terms and conditions described in a separate key money agreement. The key money contribution shall be amortized in equal monthly amounts over an eight (8) year period commencing on the second anniversary of the takeover date. During the first quarter of fiscal year 2021, the Hotel obtained approval from Ambridge to use the key money for hotel operations and the funds were exhausted by December 31, 2020. The unamortized portion of the key money in the amount of \$646,000 and \$896,000 are included in other notes payable in the consolidated balance sheets at June 30, 2024 and 2023, respectively.

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

For the year ending June 30,		
2025	\$	8,871,000
2026		27,332,000
2027		463,000
2028		317,000
2029		317,000
Thereafter		157,000
	<u>\$</u>	<u>37,457,000</u>

As of June 30, 2024 and 2023, the Company had accounts payable to related party of \$11,515,000 and \$7,283,000, respectively. These are amounts due to InterGroup and represent accrued interests and certain shared costs and expenses, primarily general and administrative expenses, rent, insurance, and other expenses.

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

John V. Winfield serves as Chief Executive Officer and Chairman of the Company and InterGroup. Effective June 2016, Mr. Winfield became the Managing Director of Justice till its dissolution in December 2021. Depending on certain market conditions and various risk factors, the Chief Executive Officer and InterGroup may, at times, invest in the same companies in which the Company invests. The Company encourages such investments because it places personal resources of the Chief Executive Officer and the resources of InterGroup, at risk in connection with investment decisions made on behalf of the Company.

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

#### NOTE 9 – 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 was the sole member of Mezzanine until its dissolution in December 2021 when Portsmouth replaced the Partnership as the sole member of Mezzanine. 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 Operating's principal asset, the Hilton San Francisco-Financial District (the "Property"). The Mortgage Loan bears an interest rate of 5.275% per annum and matured on January 1, 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 the Mortgage Lender. On April 29, 2024, U.S. Bank National Association and other lenders ("Lender") entered into a Forbearance Agreement (the "Mortgage Loan Forbearance Agreement"), all capitalized terms are used in this paragraph as defined in this agreement with Operating. Assuming no Termination Event occurs, Lender agrees to not take any action with respect to the loan facility set forth therein prior to January 1, 2025. During the Forbearance Period, Operating shall make all regularly scheduled payments to the Lender. The Mortgage Loan Forbearance Agreement also contains amended terms as to financial covenants and a 10% principal paydown in the amount of \$8,589,706.44 to be applied by the Lender upon execution of the Mortgage Loan Forbearance Agreement. Retroactive to January 1, 2024, Operating is required to accrue an additional 4% default interest, due and payable to Lender at the new maturity or loan prepayment. In addition, Operating paid 1% forbearance fee or \$858,971 to Lender upon execution of the Forbearance Agreement.

The Mezzanine Loan is secured by the Operating membership interest held by Mezzanine and is subordinated to the Mortgage Loan. The Mezzanine Loan had an interest rate of 9.75% per annum and matured on January 1, 2024. Interest only payments were due monthly. On July 31, 2019, Mezzanine refinanced the Mezzanine Loan by entering into a new mezzanine loan agreement ("New Mezzanine Loan Agreement") with Cred Reit Holdco LLC in the amount of \$20,000,000. The prior Mezzanine Loan was paid off. Interest rate on the new mezzanine loan is 7.25% and the loan matured on January 1, 2024. Interest only payments are due monthly. As additional security for the new mezzanine loan, there is a limited guaranty executed by the Company in favor of Cred Reit Holdco LLC (the "Mezzanine Guaranty" and, together with the Mortgage Guaranty, the "Guaranties"). On April 29, 2024, CRED REIT HOLDCO LLC ("Mezz Lender") entered into a Forbearance Agreement (the "Mezz Forbearance Agreement"), all capitalized terms in this paragraph are used as defined in the Mezz Forbearance Agreement) with Mezzanine, an indirect subsidiary of the Company. Assuming no termination event occurs, Mezz Lender agrees to not take any action with respect to the loan facility set forth therein prior to January 1, 2025. The Mezz Lender also has advanced \$4.5 million for payment of the 10% principal paydown with respect to the Mortgage Loan Forbearance Agreement (defined below). Retroactive to January 1, 2024, Mezzanine will be required to accrue an additional 4% default interest and a 1% forbearance fee or \$245,000. During the Forbearance Period, no payments will be due to the Mezz Lender until the new maturity date or loan prepayment. Both forbearance agreements also contain customary and usual terms, events of default, transaction fees, and representations and warranties and covenants for like transactions.

In order to refinance the Hotel's aforementioned debt, in May 2024, the Company entered into a financing procurement agreement with a global provider of financial advisory services to real estate owners. The Company will endeavor to refinance the aforementioned loans prior to their new maturity.

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 was 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 the \$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, 2024 and 2023, InterGroup is in compliance with both requirements. Justice Operating Company, LLC is not meeting certain of its loan covenants such as the Debt Service Coverage Ratio ("DSCR") which would trigger the creation of a lockbox and cash sweep by the Lender for all cash collected by the Hotel, and under certain terms, would allow the Lender to request Operating to replace its hotel management company. However, such lockbox has been created and utilized from the loan inception and will be in place up to loan maturity regardless of the DSCR. Justice has not missed any of its debt service payments and does not anticipate missing any debt obligations for at least the next twelve months and beyond.

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, 2024 and 2023, the Company had the following mortgages:

June 30, 2024	June 30, 2023	Interest Rate	Origination Date	Maturity Date
\$ 76,962,000	\$ 87,240,000	Fixed 5.28% plus 4% default rate	December 18, 2013	January 1, 2025
24,500,000	20,000,000	Fixed 7.25% plus 4% default rate	July 31, 2019	January 1, 2025
101,462,000	107,240,000	Mortgage notes payable - hotel		
(679,000)	(123,000)	Net debt issuance costs		
<u>\$ 100,783,000</u>	<u>\$ 107,117,000</u>	Total mortgage notes payable - hotel		

The Company is working with several prospective lenders to refinance its senior mortgage as well as the mezzanine debt prior to its maturity date of January 1, 2025. Effective January 1, 2024, both loans accrue 4% additional default interest due and payable at maturity or payoff due to refinancing. In order to refinance the Hotel's aforementioned debt, in May 2024, the Company entered into a financing procurement agreement with a global provider of financial advisory services to real estate owners. The Company will endeavor to refinance the aforementioned loans prior to their new maturity.

#### NOTE 10 – MANAGEMENT AGREEMENTS

Operating entered into a HMA with Aimbridge Hospitality to manage the Hotel, along with its five-level parking garage, with an effective date of February 3, 2017. The term of the management agreement is for an initial period of ten years commencing on the February 3, 2017 date and automatically renews for successive one (1) year periods, not to exceed five years in the aggregate, subject to certain conditions. Under the terms on the HMA, base management fee ("Basic Fee") payable to Aimbridge shall be one and seven-tenths percent (1.70%) of total Hotel revenue. In addition to the Basic Fee, Aimbridge shall be entitled to an annual incentive fee for each fiscal year equal to ten percent (10%) of the amount by which Gross Operating Profit in the current fiscal year exceeds the previous fiscal year's Gross Operating Profit.

For the fiscal years ended June 30, 2024 and 2023, hotel management fees were \$706,000 and \$711,000, and incentive fees of \$0 and \$505,000, respectively, offset by key money amortization of \$250,000 for both years and are included in Hotel operating expenses in the consolidated statements of operations. However, the Company is currently in discussions with Aimbridge regarding a dispute in connection with the validity of the incentive fees as they relate directly to the Covid pandemic. As part of the Hotel management agreement, Aimbridge, through the Company's wholly owned subsidiary, Kearny Street Parking LLC, manages the parking garage in-house.

## NOTE 11 – CONCENTRATION OF CREDIT RISK

As of June 30, 2024 and 2023, all accounts receivables are related to Hotel customers. The Hotel had two customers that accounted for 98%, or \$307,000 of accounts receivable at June 30, 2024, and two customers that accounted for 97%, or \$131,000 of accounts receivable at June 30, 2023.

The Company 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. Any loss incurred or a lack of access to such funds could have significant adverse impact on the Company’s financial condition, results of operations, and cash flows.

## NOTE 12 - INCOME TAXES

The provision for income tax (expense) benefit consists of the following:

For the years ended June 30,	2024	2023
<b>Federal</b>		
Current tax expense	\$ -	\$ -
Deferred tax expense	-	(5,513,000)
	-	(5,513,000)
<b>State</b>		
Current tax expense	(1,000)	(1,000)
Deferred tax expense	-	(2,398,000)
	(1,000)	(2,399,000)
<b>Total income tax expense</b>	<b>\$ (1,000)</b>	<b>\$ (7,912,000)</b>

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

For the years ended June 30,	2024	2023
Statutory federal tax rate	21.0%	21.0%
State income taxes, net of federal tax benefit	8.8%	-8.9%
Provision to return adjustment	-6.6%	11.8%
Valuation allowance	-22.5%	-193.4%
Other	-0.7%	2.1%
	0.0%	-167.4%

The components of the Company’s deferred tax assets and (liabilities) as of June 30, 2024 and 2023 are as follows:

	2024	2023
<b>Deferred tax assets</b>		
Net operating loss carryforward	\$ 14,359,000	\$ 13,073,000
Interest expense	5,157,000	3,185,000
Accruals and reserves	596,000	565,000
Depreciation	14,260,000	15,054,000
State tax credits	524,000	524,000
Capital loss carryforward	1,333,000	1,322,000
Other	111,000	61,000
Deferred tax assets before valuation allowance	36,340,000	33,784,000
Less Valuation allowance	(36,340,000)	(33,784,000)
Deferred tax assets after valuation allowance	-	-
<b>Deferred tax liabilities</b>		
State taxes	-	-
	-	-
Net deferred tax assets	\$ -	\$ -

As of June 30, 2024, the Company had net operating loss (“NOL”) carryforwards of approximately \$43,396,000 and \$59,340,000 for federal and state purposes, respectively. Of the \$43,396,000 federal NOL carryforwards, \$14,707,000 expire in varying amounts through 2037 and \$26,833,000 of post-2017 NOLs can be carried forward indefinitely. Note that the post-2017 NOLs may only offset 80% of future taxable income. The Company had capital loss carryforwards of \$4,468,000 for federal and state purposes. The capital losses begin to expire in 2024 for both federal and state purposes. There are immaterial California state tax credits of \$524,000 which expire in various years.

As of June 30, 2023, the Company had net operating loss (“NOL”) carryforwards of approximately \$41,835,000 and \$48,500,000 for federal and state purposes, respectively. Of the \$41,835,000 federal NOL carryforwards, \$14,707,000 expire in varying amounts through 2037 and \$27,128,000 of post-2017 NOLs can be carried forward indefinitely. Note that the post-2017 NOLs may only offset 80% of future taxable income. The Company had capital loss carryforwards of \$4,429,000 for federal and state purposes. The capital losses begin to expire in 2024 for both federal and state purposes. There are immaterial California state tax credits of \$524,000 which expire in various years.

Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns where 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, 2024, it has been determined that the company had \$1,665,000 of unrecognized tax benefits. No new uncertain tax positions were identified this year.

The Company 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, where applicable. Note the partnership dissolved on July 15, 2021 when Portsmouth acquired 100% of Justice LLP.

As of June 30, 2024, tax years beginning in fiscal year 2019 and 2018 remain open to examination by federal and state tax jurisdictions, respectively, and are subject to the statute of limitations.

#### Uncertain Tax Positions

The Company regularly evaluates the likelihood of realizing the benefit from income tax positions that it has taken in various federal, state and foreign filings by considering all relevant facts, circumstances and information available. If the Company determines it is more likely than not that the position will be sustained, a benefit will be recognized at the largest amount that it believes is cumulatively greater than 50% likely to be realized. The following table summarizes changes in the amount of the Company's unrecognized tax benefits for uncertain tax positions:

Unrecognized Tax Benefits at June 30, 2023	\$ 1,665,000
Increase in tax positions taken	-
Decrease in tax positions taken	-
Unrecognized Tax Benefits at June 30, 2024	<u>\$ 1,665,000</u>

\$1,665,000 of unrecognized tax benefits as of June 30, 2024 and June 30, 2023, respectively, would impact the effective tax rate if recognized. The unrecognized tax benefit is not expected to reverse in the next 12 months. Interest and penalties related to income tax matters are classified as a component of income tax expense. As of June 30, 2024 and June 30, 2023, no interest and penalties were recorded.

#### NOTE 13 - 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, 2024 and 2023, respectively. Segment loss from Hotel operations consists of the operation of the Hotel and operation of the garage. Loss from investments consists of net investment gain (loss), dividend and interest income and investment related expenses.

As of and for the year ended June 30, 2024	Hotel Operations	Investment Transactions	Other	Total
Revenues	\$ 41,886,000	\$ -	\$ -	\$ 41,886,000
Segment operating expenses	(36,139,000)	-	(1,682,000)	(37,821,000)
Segment income (loss)	5,747,000	-	(1,682,000)	4,065,000
Interest expense - mortgage	(9,407,000)	-	-	(9,407,000)
Interest expense - related party	(2,369,000)	-	-	(2,369,000)
Depreciation and amortization expense	(3,394,000)	-	-	(3,394,000)
Loss from investments	-	(269,000)	-	(269,000)
Income tax expense	-	-	(1,000)	(1,000)
Net loss	<u>\$ (9,423,000)</u>	<u>\$ (269,000)</u>	<u>\$ (1,683,000)</u>	<u>\$ (11,375,000)</u>
Total assets	<u>\$ 40,858,000</u>	<u>\$ 209,000</u>	<u>\$ 335,000</u>	<u>\$ 41,402,000</u>

As of and for the year ended June 30, 2023	Hotel Operations	Investment Transactions	Other	Total
Revenues	\$ 42,027,000	\$ -	\$ -	\$ 42,027,000
Segment operating expenses	(34,457,000)	-	(1,793,000)	(36,250,000)
Segment income (loss)	7,570,000	-	(1,793,000)	5,777,000
Interest expense - mortgage	(6,467,000)	-	-	(6,467,000)
Interest expense - related party	(1,725,000)	-	-	(1,725,000)
Depreciation and amortization expense	(2,715,000)	-	-	(2,715,000)
Loss from investments	-	(161,000)	-	(161,000)
Income tax expense	-	-	(7,912,000)	(7,912,000)
Net loss	<u>\$ (3,337,000)</u>	<u>\$ (161,000)</u>	<u>\$ (9,705,000)</u>	<u>\$ (13,203,000)</u>
Total assets	<u>\$ 40,457,000</u>	<u>\$ 359,000</u>	<u>\$ 284,000</u>	<u>\$ 41,100,000</u>



## **NOTE 14 – RELATED PARTY TRANSACTIONS**

As discussed in Note 8 – Related Party and Other Financing Transactions, upon the dissolution of Justice in December 2021, Portsmouth assumed Justice’s note payable to InterGroup in the amount of \$11,350,000. On December 31, 2021, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth’s borrowing from InterGroup as needed up to \$16,000,000. In July 2023, the note maturity date was extended to July 31, 2025 and the borrowing amount available was increased to \$20,000,000. In March 2024, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth’s borrowing amount to \$30,000,000. Portsmouth agreed to a 0.5% loan modification fee for the increased borrowing of \$10,000,000 payable to InterGroup. During the fiscal year ending June 30, 2024 and 2023, InterGroup advanced to the Hotel \$10,793,000 and \$1,500,000, respectively, to fund its hotel operations. As of June 30, 2024 and 2023, the amounts due to InterGroup were \$26,493,000 and \$15,700,000, respectively. The Company has not made any paid-downs to its note payable to InterGroup. The Company could amend its by-laws and increase the number of authorized shares to issue additional shares to raise capital in the public markets if needed.

Certain shared costs and expenses, primarily administrative expenses, rent and insurance are allocated between the Company and InterGroup based on management’s estimate of the pro rata utilization of resources. For the years ended June 30, 2024 and 2023, these expenses were approximately \$144,000 for each year.

All of the Company’s Directors serve as directors of InterGroup.

As Chairman of the Executive Strategic Real Estate and Securities Investment Committee 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 President, Chief Executive Officer, and Chairman of InterGroup and oversees the investment activity of InterGroup. Effective June 2016, Mr. Winfield became the Managing Director of Justice. Depending on certain market conditions and various risk factors, the Chief Executive Officer and InterGroup may, at times, invest in the same companies in which the Company invests. 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 InterGroup at risk in substantially the same manner as the Company in connection with investment decisions made on behalf of the Company.

## **NOTE 15 – COMMITMENTS AND CONTINGENCIES**

### **Cash Management Agreement**

As part of the Hotel refinancing effective December 18, 2013, Operating entered into a Cash Management Agreement with Bank of America, N.A. (“Lender”) and Wells Fargo Bank, N.A. (“Cash Management Bank”) whereby all cash received by Operating is to be deposited into a business checking account controlled by the Cash Management Bank up to the loan maturity date. Additionally, other terms of the Cash Management Agreement provide that effective February 2019 or upon a Property Improvement Plan (“PIP”) requirement by Hilton (“Franchisor”) deemed the “Cash Sweep Period” during which all excess cash generated by Operating beyond the monthly budgeted expenses and debt services including principal and interest, insurance reserves, real estate taxes reserve, furniture fixtures and equipment (“FF&E”) reserves, for the senior and mezzanine loans, will be held by the Cash Management Bank for future hotel improvements as required by the date or a PIP. Currently, any and all funds are being controlled by the Cash Management Bank according to the Cash Management Agreement.

### **Franchise Agreements**

The Partnership entered into a Franchise License Agreement (the “License Agreement”) with the HLT Existing Franchise Holding LLC (“Hilton”) on December 10, 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 as a full brand Hilton in January 2006, it has incurred monthly royalties, program fees and information technology recapture charges equal to a percentage of the Hotel’s gross room revenue. Fees for such services during fiscal year 2024 and 2023 totaled approximately \$2,967,000 and \$3,029,000, respectively.

## Hotel Employees

The hotel operations had 187 employees as of June 30, 2024. On February 3, 2017, Aimbridge assumed all labor union agreements as agent for Hotel and Justice, and Justice provides all funding for all payroll and related costs. As of June 30, 2024, approximately 90% of those employees were represented by one of three labor unions, and their terms of employment were determined under various collective bargaining agreements (“CBAs”) to which Aimbridge was a party to as agent for Hotel and Justice. CBA for Local 2 (Hotel and Restaurant Employees) expired on August 13, 2024 and is currently under negotiations. CBA for Local 856 (International Brotherhood of Teamsters) will expire on December 31, 2024. CBA for Local 39 (Stationary Engineers) will expire in July 2030.

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 Company and Aimbridge. The Company 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

Portsmouth Square, Inc., through its operating company Justice Investors Operating Company, LLC, a Delaware limited liability company (the “Company”), is the owner of the real property located at 750 Kearny Street in San Francisco, currently improved with a 27 – story building which houses a Hilton Hotel (the “Property”). The Property was purchased and improved pursuant to the terms of a series of agreements with the City and County of San Francisco (the “City”) in the early 1970’s. The terms of the agreements and subsequent approvals and permits included a condition by which the Company was required to construct an ornamental overhead pedestrian bridge across Kearny Street, connecting the Property to a nearby City park and underground parking garage known as Portsmouth Square (the “Bridge”). Included in the approval process was the City’s issuance of a Major Encroachment Permit (“Permit”) allowing the Bridge to span over Kearney Street. As of May 24, 2022, the City has purported to revoke the Permit and on June 13, 2022, has directed the Company to submit a general bridge removal and restoration plan (the “Plan”) at the Company’s expense. The Company disputes the legality of the purported revocation of the Permit. The Company further disputes the existence of any legal or contractual obligation to remove the Bridge at its expense. In particular, representatives of the Company participated in meetings with the City on and at various times after August 1, 2019, to discuss a collaborative process for the possible removal of the Bridge. Until the purported revocation of the Permit in 2022, the City representatives repeatedly and consistently promised and agreed that the City will pay for the associated costs of any Bridge removal. Nevertheless, without waiving any rights, in an effort to understand all of the available options, and to provide a response to the City’s directives, the Company has engaged a Project Manager, a structural engineering firm and an architect to advise on the development of a Plan for the Bridge removal, as well as the reconstruction of the front of the Hilton Hotel. The Company has been working cooperatively with the City on the process for removal of the Bridge and its related physical encroachments, including obtaining regulatory approvals and permits. The Company is currently in discussion with the City regarding both the process and financial responsibility for the implementation of the Plan and reconstruction of the impacted portions of the Hotel. Those discussions are expected to continue at least through the end of 2024. A final Plan is currently not expected to be completed until late 2024, and permits are unlikely to be obtained until early 2025 at the earliest.

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

## NOTE 16 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through the date that the accompanying financial statements were issued and has determined that no material subsequent events that require adjustment to or disclosure in the financial statements exist through the date of this filing.

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

There were no disagreements on any matter of accounting principles or practices, financial statement disclosure, nor auditing scope or procedure.

## **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-15e 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**

As required by SEC rules and regulations implementing Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company,
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
3. 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 under that framework, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2024.

During the end quarter of fiscal 2023, we identified a material weakness in internal controls over financial reporting related to our accounting for deferred tax asset valuation allowance. Specifically, we did not design and maintain effective controls to identify items within the deferred tax balances that could be materially incorrect. 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, 2024. 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, 2023, these controls were not operating effectively as noted by an elimination in its entirety the carrying tax assets due to the setup of a valuation allowance. As of June 30, 2024, management concludes that the material weakness has been remediated by its active engagement in the provision preparation process 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 been remediated in fiscal year 2024.

**Item 9B. Other Information.**

During the three months ended June 30, 2024, no director or officer, of the Company adopted, modified or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

**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, 2024:

<b>Name</b>	<b>Position with the Company</b>	<b>Age</b>	<b>Term to Expire</b>
John V. Winfield	Chairman of the Board and Chief Executive Officer <sup>(1)</sup>	77	Fiscal 2024 Annual Meeting
Yvonne Murphy	Director	67	Fiscal 2024 Annual Meeting
John C. Love	Director <sup>(2)(3)(4)</sup>	84	Fiscal 2024 Annual Meeting
William J. Nance	Director <sup>(2)(3)</sup>	80	Fiscal 2024 Annual Meeting
Steve Grunwald	Director <sup>(1)(3)(4)</sup>	42	Fiscal 2024 Annual Meeting
<b>Other Executive Officers:</b>			
David C. Gonzalez	President <sup>(1)</sup>	57	N/A
Jolie Kahn	Secretary	59	N/A
Ann Marie Blair	Treasurer, Controller (Principal Financial Officer). Ms. Blair appointed effective July 6, 2023	37	N/A
Danfeng Xu	Treasurer, Controller (Principal Financial Officer), and Secretary. Ms. Xu resigned effective August 31, 2022	36	N/A

<sup>(1)</sup> Member of Executive Strategic Real Estate and Securities Investment Committee

<sup>(2)</sup> Member of Audit Committee

<sup>(3)</sup> Member of Compensation Committee

<sup>(4)</sup> Member of Nominating 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 and Chief Executive Officer. On May 24, 2021, Mr. Winfield resigned effective immediately from the position of the Company’s President. Mr. Winfield is also Chairman of the Board, President and Chief Executive Officer of InterGroup, Portsmouth’s parent company, and has held those positions since 1987. Effective June 2016, Mr. Winfield became the Managing Director of Justice. 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.

**David C. Gonzalez** — Mr. Gonzalez was elected as the Company's President in May 2021 upon the resignation of Mr. Winfield. Mr. Gonzalez was appointed Chief Operating Officer on May 31, 2023 and Vice President Real Estate of InterGroup, Portsmouth's parent company, on January 31, 2001 through May 31, 2023. Since 1989, Mr. Gonzalez has served in numerous capacities with InterGroup, including Contoller and Director of Real Estate. Mr. Gonzalez was appointed advisor of the Executive Strategic Real Estate and Securities Investment Committee of InterGroup and Portsmouth in February 2020.

**Yvonne L. Murphy** — Mrs. Murphy was elected to the Board of Portsmouth in October 2022 and served as a director at Portsmouth from March to December 2019. Mrs. Murphy took the place of Director Babin upon his passing in October 2022. Mrs. Murphy has impressive experiences in corporate management, legal research, and legislative lobbying for over 30 years. She was a member of Governor Kenny C. Guinn's executive staff in Nevada and was employed for years by the prestigious Jones Vargas law firm in Reno, Nevada. She served in nine legislative sessions during the most challenging years in Nevada's history. Before starting her lobbying firm, Ms. Murphy worked for RR Partners in its corporate office in Las Vegas, Nevada, and in the Government Affairs Division in Reno. She has a Doctorate and a Master's in Business Administration from the California Pacific University. Within her community, she also serves as a volunteer board member for the Reno Philharmonic and Renown Health. Mrs. Murphy's extensive government affairs and business experience led to the Board's conclusion that she should serve as a director of the Company. Mrs. Murphy has been a Director of InterGroup since 2014.

**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 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. 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.

**Steve Grunwald** — Mr. Grunwald joined the Board in December 2019. Mr. Grunwald is a successful hospitality operator with over 15 years of experience. He worked at various positions at the five-star hotel Le Châtelain Brussels and later on became the General Manager of the property. In 2006, Mr. Grunwald actively participated in the construction and opening of a boutique hotel, The Progress Hotel. He became the General Manager of two more properties in 2009. In 2013, he oversaw the renovations and reopening of The Hotel Siru and took over the management of the property. Mr. Grunwald is currently managing four hotels of different styles and categories. Mr. Grunwald obtained his bachelor's degree from Brussels Business Institute's College of Hospitality and Tourism Management in 2004. Mr. Grunwald's vast experience in the hospitality industry led to the Board's conclusion that he should serve as a director of the Company.

**Ann Marie Blair** — Ms. Blair was appointed as Treasurer and Contoller of the Company on July 6, 2023. Ms. Blair also serves as Treasurer and Contoller of InterGroup, having been appointed to the position on July 6, 2023. Prior to joining the Company, she had served as Chief Financial Officer in the advertising technology industry. She obtained her Bachelor of Science degree in Accounting and her Master of Business Administration from Cumberland University.

**Danfeng Xu** — Ms. Xu was appointed as Treasurer and Contoller of the Company on October 16, 2017. Ms. Xu also serves as Treasurer and Contoller of InterGroup, having been appointed to the position on October 16, 2017. On June 1, 2018, she was appointed Secretary of the Company and InterGroup. Prior to joining the Company, she had served as Contoller 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. Ms. Xu resigned effective August 31, 2022.

**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 2023 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.intergroupcorporation.com](http://www.intergroupcorporation.com). The Company will provide any person without charge, upon request, a copy of its Code of Ethics by sending such request to: Portsmouth Square, Inc., Attn: Treasurer, 1516 S Bundy Drive, Suite 200, 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 Chairman of the Board 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 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, 2024 and 2023. 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**

<b>Name and Principal Position</b>	<b>Annual Compensation</b>				
	<b>Fiscal Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>All Other Compensation</b>	<b>Total</b>
John V. Winfield Chairman and Chief Executive Officer	2024	\$ 433,000 <sup>(1)</sup>	\$ -	\$ -	\$ 433,000
	2023	\$ 433,000 <sup>(1)</sup>	\$ 318,000	\$ -	\$ 751,000
David C. Gonzalez President	2024	\$ 173,000	\$ -	\$ -	\$ 173,000
	2023	\$ 173,000	\$ 211,000	\$ -	\$ 384,000

<sup>(1)</sup> Amounts shown include \$6,000 per year in regular Directors fees.

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 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 2024 and 2023, no compensation paid by the Company to its CEO or other executive officers was subject to 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, 2024.

**DIRECTOR COMPENSATION TABLE**

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>All Other Compensation</b>	<b>Total</b>
Yvonne Murphy	\$ 6,000	\$ -	\$ 6,000
John C. Love	\$ 8,000 <sup>(1)</sup>	\$ -	\$ 8,000
William J. Nance	\$ 8,000 <sup>(1)</sup>	\$ -	\$ 8,000
Steve Grunwald	\$ 6,000	\$ -	\$ 6,000
John V. Winfield <sup>(2)</sup>	-	-	-

<sup>(1)</sup> Amounts shown include regular Board fees and Audit Committee fees.

<sup>(2)</sup> 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, 2024 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 September 30, 2024, 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.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership <sup>(1)</sup></u>	<u>Percent of Class <sup>(2)</sup></u>
John V. Winfield 1516 S. Bundy Drive, Suite 200 Los Angeles, CA 90025	18,641	2.5%
Yvonne Murphy 1516 S. Bundy Drive, Suite 200 Los Angeles, CA 90025	-	-
John C. Love 1516 S. Bundy Drive, Suite 200 Los Angeles, CA 90025	-	-
William J. Nance 1516 S. Bundy Drive, Suite 200 Los Angeles, CA 90025	-	-
Steve Grunwald 1516 S. Bundy Drive, Suite 200 Los Angeles, CA 90025	-	-
David C. Gonzalez 1516 S. Bundy Drive, Suite 200 Los Angeles, CA 90025	-	-
Ann Marie Blair <sup>(5)</sup> 1516 S. Bundy Drive, Suite 200 Los Angeles, CA 90025	-	-
The InterGroup Corporation 1516 S. Bundy Drive, Suite 200 Los Angeles, CA 90025	556,108 <sup>(4)</sup>	75.7%
All of the above as a group	574,749	78.2%

<sup>(1)</sup> 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.

<sup>(2)</sup> Percentages are calculated based of 734,187 shares of Common Stock issued and outstanding as of September 30, 2024.

<sup>(4)</sup> As directors of InterGroup, Messrs. Winfield, Murphy, Love and Nance have the power to direct the vote of the shares of Portsmouth owned by InterGroup.

<sup>(5)</sup> Ms. Blair appointed effective July 6, 2023.



**Security Ownership of Management in Parent Corporation.**

As Chairman of the Board and a 69.4% beneficial shareholder of InterGroup, Mr. Winfield has voting and dispositive power over the shares owned of record and beneficially by InterGroup.

**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 September 30, 2024, InterGroup and John V. Winfield owned 75.7% and 2.5% of the common stock of Portsmouth, respectively.

As discussed in Note 8 – Related Party and Other Financing Transactions, on July 2, 2014, the Partnership obtained from InterGroup an unsecured loan in the principal amount of \$4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. InterGroup received a 3% loan fee. The loan may be prepaid at any time without penalty. On December 16, 2020, Justice and InterGroup entered into a loan modification agreement which increased Justice's borrowing from InterGroup as needed up to \$10,000,000. Upon the dissolution of Justice in December 2021, Portsmouth assumed Justice's note payable to InterGroup in the amount of \$11,350,000. On December 31, 2021, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing from InterGroup as needed up to \$16,000,000. In July 2023, the note maturity date was extended to July 31, 2025 and the borrowing amount available was increased to \$20,000,000. In March 2024, Portsmouth and InterGroup entered in a loan modification agreement which increased Portsmouth's borrowing amount to \$30,000,000. Portsmouth agreed to a 0.5% loan modification fee for the increased borrowing of \$10,000,000 payable to InterGroup. During the fiscal year ending June 30, 2024 and 2023, InterGroup advanced to the Hotel \$10,793,000 and \$1,500,000, respectively, to fund its hotel operations. As of June 30, 2024 and 2023, the amounts due to InterGroup were \$26,493,000 and \$15,700,000, respectively. The Company has not made any paid-downs to its note payable to InterGroup. The Company could amend its by-laws and increase the number of authorized shares to issue additional shares to raise capital in the public markets if needed.

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, 2024 and 2023, these expenses were approximately \$144,000 and \$144,000, respectively.

All of the Company's Directors serve as directors of InterGroup. The Company's President serves as Chief Operating Officer of InterGroup.

As Chairman of the Executive Strategic Real Estate and Securities Investment Committee and the Company's 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 InterGroup and oversees the investment activity of InterGroup. Effective June 2016, Mr. Winfield became the Managing Director of Justice. Depending on certain market conditions and various risk factors, the Chief Executive Officer and InterGroup may, at times, invest in the same companies in which the Company invests. 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 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 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 January 31, 2022, the Audit Committee retained WithumSmith+Brown, PC, PCAOB ID: 100 ("Withum") as the Company's independent registered public accounting firm. The aggregate fees billed for each of the last two fiscal years ended June 30, 2024 and 2023 for professional services rendered by Withum. 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	
	2024	2023
Audit fees	\$ 95,000	\$ 101,000
Tax fees	21,000	48,000
Total	\$ 116,000	\$ 149,000

#### 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 23 through 43:

[Report of Independent Registered Public Accounting Firm](#)

[Consolidated Balance Sheets - June 30, 2024 and 2023](#)

[Consolidated Statements of Operations for years ended June 30, 2024 and 2023](#)

[Consolidated Statements of Shareholders' Deficit for years ended June 30, 2024 and 2023](#)

[Consolidated Statements of Cash Flows for years ended June 30, 2024 and 2023](#)

[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.

<u>Exhibit Number</u>	<u>Description</u>
3.(i)	<a href="#">Bylaws (amended February 16, 2000) *</a>
3.(ii)	<a href="#">Articles of Incorporation*</a>
4.	<a href="#">Instruments defining the rights of security holders including indentures (See Articles of Incorporation and Bylaws) *</a>
10.	Material Contracts:
10.3	<a href="#">Franchise License Agreement, dated December 10, 2004, between Justice Investors Limited Partnership and Hilton Hotels (incorporated by reference to Exhibit 10.3 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). *</a>
10.5	<a href="#">Management Agreement, dated February 1, 2017, between Justice Operating Company, LLC and Aimbridge Management Company, LLC. (incorporated by reference to Exhibit 10.5 of the Company's Form 10-K Report for the fiscal year ended June 30, 2017, as filed with the Commission on October 13, 2017). *</a>
14.	<a href="#">Code of Ethics (filed herewith).</a>
19.	<a href="#">Insider trading policy.</a>
31.1	<a href="#">Certification of Principal Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).</a>
31.2	<a href="#">Certification of Principal Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).</a>
32.1	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.</a>
32.2	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.</a>
97	<a href="#">Regarding Erroneously Awarded Compensation.</a>
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* 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: September 30, 2024 by /s/ John V. Winfield  
John V. Winfield,  
Chairman of the Board and  
Chief Executive Officer

Date: September 30, 2024 by /s/ Ann Marie Blair  
Ann Marie Blair,  
Principal Financial Officer

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.

<u>Signatures</u>	<u>Title and Position</u>	<u>Date</u>
<u>/s/ John V Winfield</u> John V. Winfield	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	<u>September 30, 2024</u>
<u>/s/ David C. Gonzalez</u> David C. Gonzalez	President, Advisor of Executive Strategic Real Estate and Securities Investment Committee	<u>September 30, 2024</u>
<u>/s/ Yvonne Murphy</u> Jerold R. Babin	Director	<u>September 30, 2024</u>
<u>/s/ John C. Love</u> John C. Love	Director	<u>September 30, 2024</u>
<u>/s/ William J. Nance</u> William J. Nance	Director	<u>September 30, 2024</u>
<u>/s/ Steve Grunwald</u> Steve Grunwald	Director	<u>September 30, 2024</u>

**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.

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**THE INTERGROUP CORPORATION**  
**INSIDER TRADING POLICY**

**Background**

The InterGroup Corporation, its subsidiaries and Portsmouth Square, Inc. (“InterGroup” or the “Company”) and its directors, officers and employees must act in a manner that does not misuse material financial or other information that has not been publicly disclosed. Failure to do so breaches our integrity value. Also, insider trading violates laws that impose strict penalties upon both companies and individuals, including both financial sanctions and possibly prison.

Maintaining the confidence of shareholders and the public markets is important. The principle underlying InterGroup’s policy is fairness in dealings with other persons, which requires that we do not take personal advantage of undisclosed information to the detriment of others who do not have the information.

**Policy**

No InterGroup director, officer or employee may trade in InterGroup’s securities unless the director, officer or employee is sure that he or she does not possess material inside information. No InterGroup director, officer or employee may disclose such information to others who might use it for trading or might pass it along to others who might trade.

This Policy applies to all directors, officers and employees of InterGroup and each subsidiary, partnership, venture or other business association that is effectively controlled by InterGroup.

The existence of a personal financial emergency does not excuse compliance with this Policy.

See “Additional Guidance”.

**Definitions**

Securities include common stock and derivative securities such as put and call options and convertible debentures or preferred stock, as well as debt securities such as bonds and notes.

Trading includes buying or selling, as well as writing options or transferring to or from any Company benefit plan. It does not include ongoing purchases of InterGroup stock under a savings plan, purchasing stock under an employee option or making a gift that does not satisfy a legal obligation.

Material information is any information that a reasonable investor would consider important in a decision to buy, sell or hold the securities. Any information that could reasonably be expected to affect the price of the securities is likely to be considered material. Examples of material

information include unexpected financial results, proposed major mergers and acquisitions, sale of major assets, changes in dividends, an extraordinary item for accounting purpose, and important business developments such as major raw material shortages or discoveries or major litigation. The information may be positive or negative. The public, the media, and the courts may use hindsight in judging what is material.

Inside means the information has not yet become publicly available. Release of information to the media does not immediately free insiders to trade. Insiders should refrain from trading until the market has had an opportunity to absorb and evaluate the information. If the information has been widely disseminated, it is usually sufficient to wait at least 24 hours after publication.

### **Additional Guidance**

#### **Short sales are prohibited**

Short sales of InterGroup securities (a sale of securities which are not then owned), including a “sale against the box” (a sale with delayed delivery) are prohibited.

#### **Standing Orders**

Standing orders (except standing orders under approved Rule 10b5-1 plans, see below) should be used only for a very brief period of time. The problem with purchases or sales resulting from standing instructions to a broker is that there is no control over the timing of the transaction. The broker could execute a transaction when you are in possession of material inside information.

#### **Penalties for non-compliance**

The following penalties apply under United States Securities and Exchange Commission (SEC) Rule 10b-5, which prohibits trading on material inside information: (1) imprisonment for up to 20 years, (2) criminal fines of up to \$5 million, (3) civil penalties of up to 3 times the profits gained or losses avoided, (4) prejudgment interest, and (5) private party damages. In addition to damage to reputation, violation of company policy could result in termination.

#### **10b5-1 Plans**

Rule 10b5-1 provides a defense from insider trading liability under SEC Rule 10b-5. To be eligible for this defense, an insider may enter into a “10b5-1 plan” for trading in company stock. If the plan meets the requirements of Rule 10b5-1, company stock may be purchased or sold without regard to certain insider trading restrictions.

To comply with the Company’s insider trading policy, a 10b5-1 plan must be approved by the General Counsel or Corporate Secretary and meet the requirements of Rule 10b5-1.

In general, a 10b5-1 plan must be entered into at a time when there is no undisclosed material information. Once the plan is adopted, the insider must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade.

The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party.

### **Blackout Policy**

This Policy prohibits trading in InterGroup securities by officers, directors and certain employees, beginning the end of a fiscal quarter and ending 24 hours after earnings are released.

#### **Who is covered by this Policy?**

- Directors, Officers and Assistant Officers of InterGroup
- All individuals reporting directly to the Chief Financial Officer.
- Certain employees in the Controller's group who are involved in the preparation of financial statements (to be determined by the Chief Financial Officer).
- Investor Relations professionals.
- Corporate Communications professionals.
- Anyone in possession of material non-public information.
- Family members living in the same household as anyone covered by this Policy.

#### **What transactions are prohibited during a blackout period?**

Open market purchase or sale of Company securities.  
Purchase or sale of Company securities through a broker.  
Exercise of stock options where all or a portion of the acquired stock is sold during the blackout period.  
Switching existing balances into or out of Company benefit plans.

#### **What transactions are allowed during a blackout period?**

Exercise of stock options where no Company stock is sold in the market to fund the option exercise.  
Regular and matching contributions to a Company stock fund in a benefit plan.  
Regular grants of stock pursuant to a Company stock compensation plan or restricted stock unit plan.  
Gifts of Company stock, unless you have reason to believe the recipient intends to sell the shares during the current blackout period.  
Transfers of Company stock to or from a trust.  
Transactions that comply with SEC Rule 10b5-1 pre-arranged written plans. For further information about pre-arranged plans, please contact the Company's Corporate Counsel.

In addition to the standard end-of-quarter blackout periods, the Company may, from time to time, impose other blackout periods upon notice to those persons who are affected.

Employees not otherwise subject to the blackout periods are encouraged to refrain from trading InterGroup securities during blackout periods to avoid the appearance of improper trading.



### **Pre-Clearance of Stock Transactions**

InterGroup Directors, Officers and Assistant Officers are obligated to pre-clear transactions in Company securities. These transactions include all transactions noted above as being prohibited during a black-out period, as well as gifts and any stock option exercise.

#### **Who authorizes the clearance?**

General Counsel  
Corporate Secretary  
Other attorneys designated by the General Counsel or the Corporate Secretary

In addition, other employees are encouraged to discuss any transaction involving Company securities to make sure there is no pending material event that could create an appearance of improper trading.

### **Section 16 Reports**

Some officers and all InterGroup's directors are obligated to file Section 16 reports when they engage in transactions in Company securities. Although InterGroup's Corporate Counsel will assist reporting persons in preparing and filing the required reports, the reporting persons retain responsibility for the reports.

#### **Who is obligated to file Section 16 reports?**

InterGroup directors  
InterGroup officers designated as "executive officers" for SEC reporting purposes by the Board of Directors.

Company Policy requires all officers and directors who are required to file Section 16 reports to pre-clear trades in InterGroup securities with designated counsel. Pre-clearance advice generally is good for two days, unless you come into contact with material inside information during that time.

### **Form 144 Reports**

InterGroup directors and certain Company officers designated by the Board of Directors may be required to file Form 144 before making an open market sale of InterGroup securities. Form 144 notifies the Securities and Exchange Commission of your intent to sell Company securities. This form is generally prepared and filed by your broker and is in addition to the Section 16 reports filed on your behalf by the Company's Corporate Counsel.

**ACKNOWLEDGEMENT**

The undersigned hereby acknowledges receipt of The InterGroup Corporation's Insider Trading Policy and certifies that he or she has read, understands and agrees to comply with the Company's Insider Trading Policy.

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## 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: September 30, 2024

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

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## EXHIBIT 31.2

## CERTIFICATION

I, Ann Marie Blair, certify that:

1. I have reviewed this 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: September 30, 2024

/s/ Ann Marie Blair  
Ann Marie Blair  
Principal Financial Officer

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**EXHIBIT 32.1**

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

In connection with the Annual Report of Portsmouth Square, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John V. Winfield, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

*/s/ John V. Winfield*

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

Date: September 30, 2024

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

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**EXHIBIT 32.2**

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

In connection with the Annual Report of Portsmouth Square, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ann Marie Blair, Corporate Controller of the Company, and serving as its Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

*/s/ Ann Marie Blair*

Ann Marie Blair  
Principal Financial Officer

Date: September 30, 2024

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

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**PORTSMOUTH SQUARE, INC.**

**POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

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1. OVERVIEW

1.1. In accordance with Nasdaq Rule 5608, Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") ("**Rule 10D-1**"), the Board of Directors (the "**Board**") of Portsmouth Square, Inc. (the "**Company**") has adopted this Policy (the "**Policy**") to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth below.

2. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

2.1. In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with Rule 5608 and Rule 10D-1 as follows:

2.1.1. After an Accounting Restatement, the Compensation Committee (the "**Committee**") shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.

2.1.1.1. For Incentive-based Compensation based on (or derived from) the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:

2.1.1.2. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's stock price or total shareholder return upon which the Incentive-based Compensation was Received. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to Nasdaq.

2.1.1.3. The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

2.1.1.4. To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

2.1.1.5. To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

- 2.2. Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated above if the Committee determines that recovery would be impracticable *and* the following conditions are met:
  - 2.3. The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to Nasdaq; and
  - 2.4. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.
3. DISCLOSURE REQUIREMENTS
    - 3.1. The Company shall file all disclosures with respect to this Policy required by applicable SEC rules.
4. PROHIBITION OF INDEMNIFICATION
    - 4.1. The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).
5. ADMINISTRATION AND INTERPRETATION
    - 5.1. This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq.
6. AMENDMENT; TERMINATION
    - 6.1. The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this section to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.
7. OTHER RECOVERY RIGHTS
    - 7.1. This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.
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## 8. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

- 8.1. "**Accounting Restatement**" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).
  - 8.2. "**Clawback Eligible Incentive Compensation**" means all Incentive-based Compensation Received by an Executive Officer (i) on or after October 2, 2023, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).
  - 8.3. "**Clawback Period**" means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.
  - 8.4. "**Erroneously Awarded Compensation**" means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.
  - 8.5. "**Executive Officer**" means each individual who is currently or was previously designated as an "officer" of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K or Item 6.A of Form 20-F, as applicable, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).
  - 8.6. "**Financial Reporting Measures**" means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.
  - 8.7. "**Incentive-based Compensation**" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.
  - 8.8. "**Received**" means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.
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8.9. "**Restatement Date**" means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

9. This policy is effective as of December 1, 2023.

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**Exhibit A**

**ATTESTATION AND ACKNOWLEDGEMENT OF POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

By my signature below, I acknowledge and agree that:

I have received and read the attached Policy for the Recovery of Erroneously Awarded Compensation (this "**Policy**"), and I agree that the Policy supersedes any clawback provision set forth in my existing employment agreement with the Company.

I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

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