INTERGROUP CORP

FORM 10-Q
(Quarterly Report)

Filed 05/15/25 for the Period Ending 03/31/25

Address	11620 WILSHIRE BOULEVARD SUITE 350 LOS ANGELES, CA, 90025
Telephone	(310) 889-2511
CIK	0000069422
Symbol	INTG
SIC Code	6513 - Operators of Apartment Buildings
Industry	Hotels, Motels & Cruise Lines
Sector	Consumer Cyclicals
Fiscal Year	06/30

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

FORM 10-Q

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

For the quarterly period ended March 31, 2025

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 1-10324

THE INTERGROUP CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of Incorporation or organization)	13-3293645 (I.R.S. Employer Identification No.)

1516 S. Bundy Dr., Suite 200, Los Angeles, California 90025
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

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

☒ Yes ☐ No

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

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

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

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

☐ Yes ☒ No

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common stock	INTG	NASDAQ CAPITAL MARKET

The number of shares outstanding of registrant's Common Stock, as of May 15, 2025 was 2,154,405.

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PART I
FINANCIAL INFORMATION

Item 1 - Condensed Consolidated Financial Statements

THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

As of		March 31, 2025 (unaudited)		June 30, 2024
ASSETS				
Investment in Hotel, net	$	39,082,000	$	40,901,000
Investment in real estate, net		46,635,000		47,542,000
Investment in marketable securities		751,000		7,454,000
Cash and cash equivalents		4,017,000		4,333,000
Restricted cash		9,377,000		4,361,000
Other assets, net		3,379,000		3,220,000
Total assets	$	103,241,000	$	107,811,000
LIABILITIES AND SHAREHOLDERS' DEFICIT				
Liabilities:				
Accounts payable and other liabilities - Hotel	$	10,169,000	$	13,757,000
Accounts payable and other liabilities		2,896,000		4,265,000
Obligations for securities sold		-		188,000
Other notes payable		2,121,000		2,388,000
Deferred tax liability		4,724,000		4,724,000
Mortgage notes payable - Hotel, net		101,194,000		100,783,000
Mortgage notes payable - real estate, net		94,213,000		88,173,000
Total liabilities		215,317,000		214,278,000
Shareholders' deficit:				
Preferred stock, $.01 par value, 100,000 shares authorized; none issued		-		-
Common stock, $.01 par value, 4,000,000 shares authorized; 3,459,888 and 3,459,888 issued; 2,154,405 and 2,178,955 outstanding, respectively		38,000		38,000
Additional paid-in capital		3,594,000		3,648,000
Accumulated deficit		(66,333,000)		(62,632,000)
Treasury stock, at cost, 1,305,483 and 1,280,933 shares, respectively		(21,787,000)		(21,393,000)
Total InterGroup shareholders' deficit		(84,488,000)		(80,339,000)
Noncontrolling interest		(27,588,000)		(26,128,000)
Total shareholders' deficit		(112,076,000)		(106,467,000)
Total liabilities and shareholders' deficit	$	103,241,000	$	107,811,000

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

THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

For the three months ended March 31,	2025	2024
Revenues:		
Hotel	$ 12,210,000	$ 10,758,000
Real estate	4,614,000	4,125,000
Total revenues	16,824,000	14,883,000
Costs and operating expenses:		
Hotel operating expenses	(9,685,000)	(9,239,000)
Real estate operating expenses	(2,431,000)	(2,612,000)
Depreciation and amortization expenses	(1,651,000)	(1,607,000)
General and administrative expenses	(707,000)	(716,000)
Total costs and operating expenses	(14,474,000)	(14,174,000)
Income from operations	2,350,000	709,000
Other (expense) income:		
Interest expense - mortgages	(3,152,000)	(3,234,000)
Net unrealized loss on marketable securities	(1,023,000)	(820,000)
Net realized (loss) gain on marketable securities	(74,000)	9,000
Gain (loss) on extinguishment of debt	1,416,000	(453,000)
Dividend and interest income	35,000	63,000
Trading and margin interest expense	(317,000)	(430,000)
Total other (expense) income, net	(3,115,000)	(4,865,000)
Loss before income taxes	(765,000)	(4,156,000)
Income tax benefit	15,000	295,000
Net loss	(750,000)	(3,861,000)
Less: Net loss attributable to the noncontrolling interest	172,000	697,000
Net loss attributable to The InterGroup Corporation	$ (578,000)	$ (3,164,000)
Net loss per share attributable to The InterGroup Corporation		
Basic	$ (0.27)	$ (1.44)
Diluted	$ (0.27)	$ (1.44)
Weighted average number of basic common shares outstanding	2,154,597	2,192,862
Weighted average number of diluted common shares outstanding	2,154,597	2,192,862

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

THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

For the nine months ended March 31,	2025	2024
Revenues:		
Hotel	$ 33,995,000	$ 32,076,000
Real estate	14,176,000	12,638,000
Total revenues	48,171,000	44,714,000
Costs and operating expenses:		
Hotel operating expenses	(27,532,000)	(27,925,000)
Real estate operating expenses	(7,096,000)	(7,774,000)
Depreciation and amortization expenses	(4,967,000)	(4,691,000)
General and administrative expenses	(2,244,000)	(3,365,000)
Total costs and operating expenses	(41,839,000)	(43,755,000)
Income from operations	6,332,000	959,000
Other (expense) income:		
Interest expense - mortgages	(10,196,000)	(7,695,000)
Net unrealized loss on marketable securities	(1,236,000)	(1,210,000)
Net realized (loss) gain on marketable securities	(330,000)	1,374,000
Gain (loss) on extinguishment of debt	1,416,000	(453,000)
Dividend and interest income	156,000	333,000
Trading and margin interest expense	(978,000)	(1,133,000)
Total other expense, net	(11,168,000)	(8,784,000)
Loss before income taxes	(4,836,000)	(7,825,000)
Income tax (expense) benefit	(463,000)	191,000
Net loss	(5,299,000)	(7,634,000)
Less: Net loss attributable to the noncontrolling interest	1,598,000	1,697,000
Net loss attributable to The InterGroup Corporation	$ (3,701,000)	$ (5,937,000)
Net loss per share attributable to The InterGroup Corporation		
Basic	$ (1.71)	$ (2.70)
Diluted	$ (1.71)	$ (2.70)
Weighted average number of basic common shares outstanding	2,164,829	2,200,515
Weighted average number of diluted common shares outstanding	2,164,829	2,200,515

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

THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Treasury	InterGroup Shareholders'	Noncontrolling	Total Shareholders'
	Shares	Amount	Capital	Deficit	Stock	Deficit	Interest	Deficit
Balance at July 1, 2024	3,459,888	$ 38,000	$ 3,648,000	$ (62,632,000)	$ (21,393,000)	$ (80,339,000)	$ (26,128,000)	$ (106,467,000)
Net Loss	-	-	-	(398,000)	-	(398,000)	(454,000)	(852,000)
Stock options expense	-	-	45,000	-	-	45,000	-	45,000
Purchase of treasury stock	-	-	-	-	(205,000)	(205,000)	-	(205,000)
Balance at September 30, 2024	3,459,888	38,000	3,693,000	(63,030,000)	(21,598,000)	(80,897,000)	(26,582,000)	(107,479,000)
Net Loss	-	-	-	(2,725,000)	-	(2,725,000)	(972,000)	(3,697,000)
Stock options expense	-	-	20,000	-	-	20,000	-	20,000
Investment in Portsmouth	-	-	(139,000)	-	-	(139,000)	138,000	(1,000)
Purchase of treasury stock	-	-	-	-	(178,000)	(178,000)	-	(178,000)
Balance at December 31, 2024	3,459,888	38,000	3,574,000	(65,755,000)	(21,776,000)	(83,919,000)	(27,416,000)	(111,335,000)
Net Loss	-	-	-	(578,000)	-	(578,000)	(172,000)	(750,000)
Stock options expense	-	-	20,000	-	-	20,000	-	20,000
Purchase of treasury stock	-	-	-	-	(11,000)	(11,000)	-	(11,000)
Balance at March 31, 2025	3,459,888	$ 38,000	$ 3,594,000	$ (66,333,000)	$ (21,787,000)	$ (84,488,000)	$ (27,588,000)	$ (112,076,000)

	Common Stock		Additional Paid-in	Accumulated	Treasury	InterGroup Shareholders'	Noncontrolling	Total Shareholders'
	Shares	Amount	Capital	Deficit	Stock	Deficit	Interest	Deficit
Balance at July 1, 2023	3,459,888	$ 33,000	$ 2,445,000	$ (52,835,000)	$ (20,794,000)	$ (71,151,000)	$ (23,453,000)	$ (94,604,000)
Net Loss	-	-	-	(1,244,000)	-	(1,244,000)	(378,000)	(1,622,000)
Investment in Portsmouth	-	-	(106,000)	-	-	(106,000)	84,000	(22,000)
Purchase of treasury stock	-	-	-	-	(39,000)	(39,000)	-	(39,000)
Balance at September 30, 2023	3,459,888	33,000	2,339,000	(54,079,000)	(20,833,000)	(72,540,000)	(23,747,000)	(96,287,000)
Net Loss	-	-	-	(1,529,000)	-	(1,529,000)	(622,000)	(2,151,000)
Stock option expense	-	-	1,175,000	-	-	1,175,000	-	1,175,000
Purchase of treasury stock	-	-	-	-	(142,000)	(142,000)	-	(142,000)
Balance at December 31, 2023	3,459,888	33,000	3,514,000	(55,608,000)	(20,975,000)	(73,036,000)	(24,369,000)	(97,405,000)
Net Loss	-	-	-	(3,164,000)	-	(3,164,000)	(697,000)	(3,861,000)
Stock option expense	-	-	88,000	-	-	88,000	-	88,000
Purchase of treasury stock	-	-	-	-	(248,000)	(248,000)	-	(248,000)
Balance at March 31, 2024	3,459,888	$ 33,000	$ 3,602,000	$ (58,772,000)	$ (21,223,000)	$ (76,360,000)	$ (25,066,000)	$ (101,426,000)

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

THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

For the nine months ended March 31,	**2025**	**2024**
Cash flows from operating activities:		
Net loss	$ (5,299,000)	$ (7,634,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,967,000	4,691,000
Amortization of loan costs	840,000	210,000
Amortization of other notes payable	(267,000)	(425,000)
Gain on debt extinguishment	(1,416,000)	-
Deferred taxes	-	(294,000)
Net unrealized loss on marketable securities	1,236,000	1,210,000
Stock compensation expense	85,000	1,263,000
Changes in operating assets and liabilities:		
Investment in marketable securities	5,467,000	2,451,000
Other assets, net	319,000	(1,241,000)
Accounts payable and other liabilities - Hotel	(2,650,000)	1,536,000
Accounts payable and other liabilities	(1,369,000)	65,000
Due to securities broker	-	1,343,000
Obligations for securities sold	(188,000)	(1,393,000)
Net cash provided by operating activities	1,725,000	1,782,000
Cash flows from investing activities:		
Payments for hotel investments	(912,000)	(2,649,000)
Payments for real estate investments	(1,329,000)	(1,944,000)
Payments for investment in Portsmouth	(1,000)	(22,000)
Net cash used in investing activities	(2,242,000)	(4,615,000)
Cash flows from financing activities:		
Payments of mortgage, financed leases and other notes payable	(80,883,000)	(2,113,000)
Proceeds from refinance of mortgage notes payable	88,600,000	4,489,000
Issuance costs of refinancing mortgage and other notes payable	(2,106,000)	-
Purchase of treasury stock	(394,000)	(429,000)
Net cash provided by financing activities	5,217,000	1,947,000
Net increase (decrease) in cash, cash equivalents and restricted cash	4,700,000	(886,000)
Cash, cash equivalents and restricted cash at the beginning of the period	8,694,000	12,874,000
Cash, cash equivalents and restricted cash at the end of the period	$ 13,394,000	$ 11,988,000
Supplemental information:		
Interest paid	$ 10,444,000	$ 4,750,000
Taxes paid	$ 25,000	$ 44,000

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

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements of The InterGroup Corporation ("InterGroup" or the "Company" or "we" or "our"), have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to interim financial reporting. As permitted under those rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. The results of operations for the interim periods presented are not necessarily indicative of results expected for the full fiscal year. The unaudited condensed consolidated financial statements include the accounts of our wholly owned and majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements of InterGroup and the notes therein included in the Company's Annual Report on Form 10-K for the year ended June 30, 2024. The June 30, 2024 condensed consolidated balance sheet was derived from the consolidated balance sheet as included in the Company's Form 10-K for the year ended June 30, 2024.

Effective February 19, 2021, the Company's 83.7% owned subsidiary, Santa Fe Financial Corporation ("Santa Fe"), a public company (OTCBB: SFEF), was liquidated and all of its assets including its 68.8% interest in Portsmouth Square, Inc. ("Portsmouth"), a public company (OTCBB: PRSI) were distributed to its shareholders in exchange for their Santa Fe common stock. As of March 31, 2025, InterGroup owns approximately 75.9% of the outstanding common shares of Portsmouth and the Company's President, Chairman of the Board and Chief Executive Officer, John V. Winfield, owns approximately 2.5% of the outstanding common shares of Portsmouth. Mr. Winfield also serves as the Chairman of the Board and Chief Executive Officer of Portsmouth.

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 acquired the remaining 0.7% non-controlling interest in Justice, resulting in 100% ownership of the Partnership. On December 23, 2021, Justice was dissolved, and its financial results have been fully consolidated into those of the Company.

Prior to its dissolution, Justice owned and operated the Hilton San Francisco Financial District hotel (the "Hotel"), a 544-room hotel property located at 750 Kearny Street, San Francisco California, along with a five-level underground parking garage. These operations were conducted through subsidiaries Justice Operating Company, LLC ("Operating") and Justice Mezzanine Company, LLC ("Mezzanine"). Mezzanine was a wholly owned subsidiary of Justice; and Operating was and remains a wholly owned subsidiary of Mezzanine. Upon the dissolution of Justice, Portsmouth became the sole member of Mezzanine. Mezzanine remains the borrower under certain mezzanine loan obligations. In December 2013, Justice conveyed ownership of the Hotel to Operating. The Hotel operates under the Hilton brand pursuant to a Franchise License Agreement with HLT Franchise Holding LLC ("Hilton") through January 31, 2030.

In connection with the refinancing of the Hotel on March 28, 2025, the Company formed Justice Pledgor, LLC, a Delaware limited liability company ("Pledgor"), which became the sole member of Operating. Mezzanine is the sole member of Pledgor.

The Hotel is managed by Aimbridge Hospitality ("Aimbridge") under a hotel management agreement ("HMA") effective February 3, 2017. The HMA has an initial term of ten years, automatically renewable for up to five additional one-year terms, subject to certain conditions. Under the agreement, Aimbridge receives a base management fee equal to 1.70% of total Hotel revenue. Aimbridge is also entitled to an annual incentive fee equal to 10% of the amount by which current-year Gross Operating Profit exceeds the prior year's Gross Operating Profit.

However, following discussions with Aimbridge regarding the impact of the COVID-19 pandemic on incentive fee eligibility, the parties agreed that no incentive fees were payable for fiscal years 2019 through 2023. Specifically, Aimbridge agreed to waive $1,030,134 in previously recorded incentive fees, and both parties established a performance threshold of $15,257,301 in earnings before interest, taxes, depreciation, and amortization ("EBITDA") for future incentive fee eligibility. As a result, the company recorded a reduction in Hotel operating expenses of $1,030,134 for the nine months period ended March 31, 2025.

In addition to the operations of the Hotel, the Company also generates income from the ownership of real estate. Properties include apartment complexes, commercial real estate, and three single-family houses as strategic investments. The properties are located throughout the United States but are concentrated in Texas and Southern California. The Company also has investments in unimproved real property. All the Company's residential rental properties and its commercial rental property are managed in-house.

There have been no material changes to the Company's significant accounting policies during the nine months ended March 31, 2025. Please refer to the Company's Annual Report on Form 10-K for the year ended June 30, 2024 for a summary of the significant accounting policies.

Recently Issued and Adopted Accounting Pronouncements

Our Annual Report on Form 10-K for the year ended June 30, 2024, filed with the SEC on September 30, 2024, contains a discussion on the recently issued accounting pronouncements. As of March 31, 2025, there was no material impact from the recent adoption of new accounting pronouncements, nor expected material impact from recently issued accounting pronouncements yet to be adopted, on the Company's condensed consolidated financial statements.

Going Concern

The accompanying condensed consolidated financial statements of Portsmouth have been prepared in accordance with US GAAP and on a going concern basis, which assumes the Company will continue to operate in the normal course of business. In accordance with Accounting Standards Codification ("ASC") Topic 205-40, Presentation of Financial Statements – Going Concern, management evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Portsmouth's ability to continue as a going concern within one year after the date that the financial statements are issued.

As of March 31, 2025, Portsmouth had aggregate outstanding obligations of $100.3 million under a senior mortgage loan and mezzanine loan that matured on January 1, 2024. Following the maturity, Portsmouth entered into forbearance agreements with both lenders on April 29, 2024, which extended the maturity date to January 1, 2025, providing time to pursue a long-term refinancing solution. Upon the expiration of the forbearance period in January 2025, both lenders issued default notices.

On March 28, 2025, Portsmouth successfully refinanced its senior mortgage loan through a new $67.0 million agreement with PRIME Finance. The new loan bears interest at a floating rate equal to the 30-day Secured Overnight Financing Rate ("SOFR") plus 4.75%, subject to an interest rate cap limiting SOFR to a maximum of 4.50% and provides for an initial two-year term with three successive one-year extension options, subject to satisfaction of certain conditions. Concurrently, Portsmouth entered into a modification of the mezzanine loan agreement, which provides for a $36.3 million principal balance at a fixed rate of 7.25% per annum, with maturity and extension terms aligned with the senior loan.

The successful completion of these refinancing transactions represents a significant step in enhancing Portsmouth's financial flexibility and addressing its near-term liquidity requirements. Since the refinancing, Portsmouth has remained current on all required debt service payments. Additionally, Portsmouth has invested in extensive property improvements, including guest room, public area, and common space renovations, which are expected to enhance the asset's competitiveness and support revenue growth.

Nevertheless, Portsmouth continues to operate in a challenging environment, particularly in the San Francisco market, which is characterized by elevated interest rates, reduced business travel demand, and increased labor costs. While management is actively managing these headwinds, including through cost control initiatives and revenue optimization strategies, these factors continue to impact operating performance.

Management believes the refinancing completed in March 2025, along with ongoing operational initiatives and forecasted performance improvements, provide a viable path to meet Portsmouth's obligations over the next twelve months. However, Portsmouth's ability to continue as a going concern will depend on its ability to achieve forecasted cash flows, maintain compliance with financial covenants, and secure additional financing or extensions if necessary at or before the extended loan maturities. These conditions, while mitigated by Portsmouth's recent actions and current plans, continue to raise substantial doubt about the Portsmouth's ability to continue as a going concern within one year after the issuance of these financial statements.

Accordingly, the accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2 - LIQUIDITY

Historically, the Company has relied primarily on cash flows generated from operations at its hotel property, the Hilton San Francisco Financial District (the "Hotel"), as its primary source of liquidity. However, the pace of recovery in the San Francisco hospitality market remains slower than anticipated due to several factors, including a sustained decline in business travel driven by remote work trends, as well as broader municipal challenges such as safety concerns, homelessness, and increased crime. These conditions have limited demand in key customer segments and shifted the Hotel's revenue base toward lower-yielding leisure travel.

As a result, the Company experienced net cash provided for operating activities of $1,725,000 for the nine months ended March 31, 2025. In response to ongoing market pressures, Portsmouth has adopted several capital preservation initiatives, including deferral of non-essential capital projects, temporary suspension of certain Hotel services, renegotiation of vendor agreements, and reduction of controllable operating expenses. During the nine months ended March 31, 2025, Portsmouth continued to invest in property enhancements, incurring capital expenditure of $912,000. During the same period, the Company made capital improvements in the amount of $1,329,000 to its multi-family and commercial real estate.

As of March 31, 2025, the Company had:

- Cash and cash equivalents of $4,017,000 (compared to $4,333,000 as of June 30, 2024),
- Restricted cash of $9,377,000 (compared to $4,361,000 as of June 30, 2024), and
- Marketable securities, net of margin balances, of $751,000 (compared to $7,266,000 as of June 30, 2024). These securities are considered liquid and available for short-term needs.

Related Party Financing

To supplement its liquidity position, the Company maintains access to an unsecured loan facility with its subsidiary company, Portsmouth Square, Inc ("Portsmouth"), a related party. The initial facility, dated July 2, 2014, has undergone several amendments. In March 2025, the facility was amended to:

- Increase the available borrowing capacity to $40,000,000, and
- Extend the maturity date to July 31, 2027.

During the nine months ended March 31, 2025, Portsmouth borrowed an additional $11,615,000 under this facility to support Hotel operations. As of March 31, 2025, the outstanding loan balance was $38,108,000, with no principal repayments made to date. All material intercompany accounts and transactions have been eliminated in consolidation.

Real Estate

In December 2024, the Company refinanced mortgage on its 157-unit apartment located in Florence, Kentucky in the amount of $9,800,000. The new 10-year interest only loan has an interest rate of 5.40%. The loan matures in January 2035.

Liquidity Outlook and Going Concern Considerations

The Company's short-term liquidity requirements include payments for Hotel operating costs, payroll, management and franchise fees, taxes, corporate overhead, interest on outstanding debt, and regular maintenance. Long-term liquidity requirements primarily include scheduled debt maturities and continued capital investments to maintain the Hotel's competitive positioning.

As described in Note 1, the Company has made substantial progress in refinancing its mortgage and mezzanine debt obligations, which previously raised doubt regarding its near-term financial viability. On March 28, 2025, the Company completed the refinancing of its senior mortgage and modified its mezzanine debt structure, both of which provide near-term relief and reduce imminent refinancing risk.

Nonetheless, the Company's liquidity position continues to be impacted by broader macroeconomic and market-specific factors, including high interest rates, ongoing weakness in San Francisco's business travel segment, and elevated operating costs. These uncertainties, combined with the need to maintain compliance with newly established debt covenants, raise substantial doubt about the Company's ability to continue as a going concern within one year of the issuance of these financial statements.

Management continues to evaluate financing strategies, capital allocation decisions, and operating efficiencies to preserve liquidity. There can be no assurance, however, that these initiatives will be sufficient to meet all of the Company's liquidity requirements, particularly in the event of continued market underperformance.

The following table provides a summary as of March 31, 2025, the Company's material financial obligations which also includes interest payments.

	Total	3 Months 2025	Year 2026	Year 2027	Year 2028	Year 2029	Thereafter
Mortgage and subordinated notes payable	$198,396,000	$5,589,000	$ 1,162,000	$106,596,000	$1,770,000	$1,845,000	$81,434,000
Other notes payable	2,121,000	142,000	567,000	463,000	317,000	317,000	315,000
Interest	40,970,000	2,454,000	11,667,000	11,098,000	2,648,000	2,582,000	10,521,000
Total	$241,487,000	$8,185,000	$13,396,000	$118,157,000	$4,735,000	$4,744,000	$92,270,000

NOTE 3 – REVENUE

Our revenue from real estate is primarily rental income from residential and commercial property leases which is recorded when due from residents and is recognized monthly as earned. The revenue recognition rules under ASC 606 specifically eliminates rental revenue from the accounting standard.

The following table present our Hotel revenue disaggregated by revenue streams:

For the three months ended March 31,	**2025**	**2024**
Hotel revenues:		
Hotel rooms	$ 10,534,000	$ 9,018,000
Food and beverage	728,000	924,000
Garage	760,000	710,000
Other operating departments	188,000	106,000
Total Hotel revenue	$ 12,210,000	$ 10,758,000

For the nine months ended March 31,	**2025**	**2024**
Hotel revenues:		
Hotel rooms	$ 29,045,000	$ 26,982,000
Food and beverage	2,115,000	2,523,000
Garage	2,415,000	2,243,000
Other operating departments	420,000	328,000
Total Hotel revenue	$ 33,995,000	$ 32,076,000

Performance Obligations

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

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

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

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

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

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

We do not disclose the value of unsatisfied performance obligations for contracts with an expected length of one year or less. Due to the nature of our business, our revenue is not significantly impacted by refunds. Cash payments received in advance of guests staying at our Hotel are refunded to Hotel guests if the guest cancels within the specified time 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.

Revenue recognition from apartment rental commences when an apartment unit is placed in service and occupied by a rent-paying tenant. Apartment units are leased on a short-term basis, with no lease extending beyond one year.

Contract Assets and Liabilities

The Company does not have any material contract assets as of March 31, 2025 and June 30, 2024, other than trade and other receivables, net on our condensed consolidated balance sheets. Our receivables are primarily the result of contracts with customers, that were entered into within the past 12 months, which are reduced by a reserve for estimated credit losses that reflects our estimate of amounts that will not be collected.

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 – Hotel on our condensed consolidated balance sheets and had a balance of $370,000 at July 1, 2024. Contract liabilities decreased to $290,000 as of March 31, 2025, primarily due to the recognition of advances performed prior to March 31, 2025. Contract liabilities increased to $291,000 as of March 31, 2024 from $290,000 as of 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:

March 31, 2025	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,738,000	$ -	$ 2,738,000
Finance lease ROU assets	1,805,000	(1,635,000)	170,000
Furniture and equipment	39,854,000	(32,785,000)	7,069,000
Building and improvements	68,527,000	(39,422,000)	29,105,000
Investment in Hotel, net	$ 112,924,000	$ (73,842,000)	$ 39,082,000

June 30, 2024	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,738,000	$ -	$ 2,738,000
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	67,159,000	(38,194,000)	28,965,000
Investment in Hotel, net	$ 112,012,000	$ (71,111,000)	$ 40,901,000

Finance lease ROU assets, furniture and equipment are stated at cost, depreciated on a straight-line basis over their useful lives ranging from 3 to 7 years and amortized over the life of the lease. Building and improvements are stated at cost, depreciated on a straight-line basis over their useful lives ranging from 15 to 39 years. Depreciation expense related to our investment in Hotel for the nine months ended March 31, 2025 and 2024 are $2,731,000 and $2,596,000, respectively.

NOTE 5 – INVESTMENT IN REAL ESTATE, NET

The Company's investment in real estate includes sixteen apartment complexes, one commercial real estate property and three single-family houses. The properties are located throughout the United States, but are concentrated in Dallas, Texas and Southern California. The Company also has an investment in unimproved land located in Maui, Hawaii.

Investment in real estate consisted of the following:

As of	**March 31, 2025**	**June 30, 2024**
Land	$ 22,998,000	$ 22,998,000
Buildings, improvements and equipment	76,789,000	75,460,000
Accumulated depreciation	(55,082,000)	(52,846,000)
	44,705,000	45,612,000
Land held for development	1,930,000	1,930,000
Investment in real estate, net	$ 46,635,000	$ 47,542,000

Building, improvements, and equipment are stated at cost, depreciated on a straight-line basis over their useful lives ranging from 5 to 40 years. During the nine months ended March 31, 2025, the Company invested $1,329,000 in capitalized improvements. Depreciation expense related to our investment in real estate for the nine months ended March 31, 2025 and 2024 are $2,236,000 and $2,092,000, respectively.

NOTE 6 – INVESTMENT IN MARKETABLE SECURITIES

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

At March 31, 2025 and June 30, 2024, all of the Company's marketable securities are classified as trading securities. The change in the unrealized gains and losses on these investments, along with the changes in amounts due to broker are included in earnings. Trading securities are summarized as follows:

Investment	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized (Loss) Gain	Fair Value
As of March 31, 2025					
Corporate Equities	$ 790,000	$ 2,000	$ (41,000)	$ (39,000)	$ 751,000
As of June 30, 2024					
Corporate Equities	$ 6,262,000	$ 1,697,000	$ (505,000)	$ 1,192,000	$ 7,454,000

Net gains (losses) on marketable securities on the statement of operations is comprised of realized and unrealized gains (losses). Below is the composition of net gains (losses) on marketable securities for the three and nine months ended March 31, 2025 and 2024, respectively:

For the three months ended March 31,	**2025**	**2024**
Realized (loss) gain on marketable securities, net	$ (74,000)	$ 9,000
Unrealized loss on marketable securities, net	(1,023,000)	(820,000)
Net loss on marketable securities	$ (1,097,000)	$ (811,000)

For the nine months ended March 31,	**2025**	**2024**
Realized (loss) gain on marketable securities, net	$ (330,000)	$ 1,374,000
Unrealized loss on marketable securities, net	(1,236,000)	(1,210,000)
Net (loss) gain on marketable securities	$ (1,566,000)	$ 164,000

NOTE 7 - FAIR VALUE MEASUREMENTS

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

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

As of	**March 31, 2025** Total - Level 1	**June 30, 2024** Total - Level 1
Assets:		
Investment in marketable securities:		
REITs and real estate companies	$ 749,000	$ 3,358,000
Technology	2,000	21,000
T-Notes	-	933,000
Financial services	-	269,000
Basic material	-	75,000
Healthcare	-	179,000
Communication services	-	1,994,000
Industrial	-	159,000
Energy	-	303,000
Utilities	-	163,000
Total	$ 751,000	$ 7,454,000

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

On March 31, 2025, Portsmouth, through its affiliate Justice Operating Company, LLC, entered into an interest rate cap agreement (the "Interest Rate Cap") with Goldman Sachs Bank USA. The agreement was executed in connection with a variable-rate mortgage loan and is intended to economically limit the Company's exposure to increases in Term SOFR. The Interest Rate Cap caps Term SOFR at 4.50% and has a notional amount equal to or greater than the outstanding principal balance of the loan. The Company paid a premium of approximately $136,000 for the cap at inception. Changes in the fair value of the Interest Rate Cap are recorded in Other Income (Expense) within the consolidated statement of operations.

The Interest Rate Cap is not designated as a hedging instrument under ASC 815 and is therefore accounted for at fair value, with changes in fair value recognized in earnings each reporting period. The cap is classified as a Level 2 financial instrument under the fair value hierarchy established by ASC 820, as its valuation is based on observable market inputs including interest rate curves and volatility assumptions obtained from a third-party pricing service.

The following table summarizes the fair value of the derivative instrument as of March 31, 2025:

Derivative Type	**Notional Amount**	**Balance Sheet Classification**	**Fair Value**	**Fair Value Hierarchy**
Interest Rate	$ 67,000,000	Other Assets	$ 136,000	Level 2

NOTE 8 – CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

As of	**March 31, 2025**	**June 30, 2024**
Cash and cash equivalents	$ 4,017,000	$ 4,333,000
Restricted cash	9,377,000	4,361,000
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$ 13,394,000	$ 8,694,000

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

NOTE 9 – STOCK BASED COMPENSATION PLANS

The Company follows Accounting Standard Codification (ASC) Topic 718 "Compensation – Stock Compensation", which addresses accounting for equity-based compensation arrangements, including employee stock options and restricted stock units.

Please refer to Note 15 – Stock Based Compensation Plans in the Company's Form 10-K for the year ended June 30, 2024 for more detailed information on the Company's stock-based compensation plans.

On October 13, 2023, the Compensation Committee awarded 18,000 stock options to the Company's Chief Operating Officer David C. Gonzalez, to purchase up to 18,000 shares of common stock. The exercise price of the options is $28.90 which was the fair market value of the Company's Common Stock as reported on NASDAQ closing on October 12, 2023. The options expire in ten years from the date of grant. Pursuant to the time vesting requirements, the options vest over a period of three years, with 6,000 options vesting upon each on year anniversary of the date of grant.

On December 21, 2023, the Company extended the expiration date of the 133,195 stock options originally issued to John V. Winfield, CEO on December 26, 2013 with an exercise price of $18.65. The original expiration date was December 26, 2023 and is extended to December 26, 2029. As a result of extending Mr. Winfield's options, the Company recorded stock option compensation cost of $1,175,000 in December 2023. The fair value of the modification was estimated using the Black Scholes pricing model, which takes into account immediately before and after the modification date the exercise price $18.65 per share and expected life of the stock option of 0.01 and 6 years, the market price of the underlying stock on modification date and its expected volatility 72% and 50%, expected dividends 0% on the stock and the risk free interest rate 0.9% and 4.65% for the expected term of the stock option.

Option-pricing models require the input of various subjective assumptions, including the option's expected life, estimated forfeiture rates and the price volatility of the underlying stock. The expected stock price volatility is based on analysis of the Company's stock price history. The Company has selected to use the simplified method for estimating the expected term. The risk-free interest rate is based on the U.S. Treasury interest rates whose term is consistent with the expected life of the stock options. No dividend yield is included as the Company has not issued any dividends and does not anticipate issuing any dividends in the future.

During the nine months ended March 31, 2025 and 2024 the Company recorded $85,000 and $1,263,000, respectively, related to stock option compensation cost.

The following table summarizes the stock options activity from July 1, 2023 to March 31, 2025:

		Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value
Oustanding at	July 1, 2023	251,195	$ 15.95	1.60 years	$ 4,957,000
Granted		18,000	-	9.54 years	-
Exercised		-	-	-	-
Forfeited		-	-	-	-
Exchanged		-	-	-	-
Outstanding at	June 30, 2024	269,195	$ 16.81	4.15 years	$ 1,187,000
Exercisable and vested at	June 30, 2024	251,195	$ 15.95	4.45 years	$ 1,187,000
Oustanding at	July 1, 2024	269,195	$ 16.81	4.15 years	$ 1,187,000
Granted		-	-	-	-
Exercised		-	-	-	-
Forfeited		-	-	-	-
Exchanged		-	-	-	-
Outstanding at	March 31, 2025	269,195	$ 16.81	3.40 years	$ 182,000
Exercisable and vested at	March 31, 2025	257,195	$ 15.57	3.56 years	$ 182,000

NOTE 10 – SEGMENT INFORMATION

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

Information below represents reported segments for the three and nine months ended March 31, 2025 and 2024. Segment income from Hotel operations consists of the operation of the Hotel and operation of the garage. Segment income from real estate operations consists of the operation of the rental properties. Loss from investments consists of net investment loss, dividend and interest income and investment related expenses.

As of and for the three months ended March 31, 2025	Hotel Operations	Real Estate Operations	Investment Transactions	Corporate	Total
Revenues	$ 12,210,000	$ 4,614,000	$ -	$ -	$ 16,824,000
Segment operating expenses	(9,685,000)	(2,431,000)	-	(707,000)	(12,823,000)
Segment income (loss)	2,525,000	2,183,000	-	(707,000)	4,001,000
Interest expense - mortgage	(2,459,000)	(693,000)	-	-	(3,152,000)
Depreciation and amortization expense	(899,000)	(752,000)	-	-	(1,651,000)
Gain on extinguishment of debt	1,416,000			-	1,416,000
Loss from investments	-	-	(1,379,000)	-	(1,379,000)
Income tax benefit	-	-	-	15,000	15,000
Net income (loss)	$ 583,000	$ 738,000	$ (1,379,000)	$ (692,000)	$ (750,000)
Total assets	$ 50,860,000	$ 46,635,000	$ 751,000	$ 4,995,000	$ 103,241,000

As of and for the three months ended March 31, 2024	Hotel Operations	Real Estate Operations	Investment Transactions	Corporate	Total
Revenues	$ 10,758,000	$ 4,125,000	$ -	$ -	$ 14,883,000
Segment operating expenses	(9,239,000)	(2,612,000)	-	(716,000)	(12,567,000)
Segment income (loss)	1,519,000	1,513,000	-	(716,000)	2,316,000
Interest expense - mortgage	(2,591,000)	(643,000)	-	-	(3,234,000)
Depreciation and amortization expense	(886,000)	(721,000)	-	(453,000)	(2,060,000)
Loss from investments	-	-	(1,178,000)	-	(1,178,000)
Income tax benefit	-	-	-	295,000	295,000
Net (loss) income	$ (1,958,000)	$ 149,000	$ (1,178,000)	$ (874,000)	$ (3,861,000)
Total assets	$ 46,804,000	$ 47,907,000	$ 14,684,000	$ 9,560,000	$ 118,955,000

As of and for the nine months ended March 31, 2025	Hotel Operations	Real Estate Operations	Investment Transactions	Corporate	Total
Revenues	$ 33,995,000	$ 14,176,000	$ -	$ -	$ 48,171,000
Segment operating expenses	(27,532,000)	(7,096,000)	-	(2,244,000)	(36,872,000)
Segment income (loss)	6,463,000	7,080,000	-	(2,244,000)	11,299,000
Interest expense - mortgage	(8,128,000)	(2,068,000)	-	-	(10,196,000)
Depreciation and amortization expense	(2,731,000)	(2,236,000)	-	-	(4,967,000)
Gain on extinguishment of debt	1,416,000	-	-	-	1,416,000
Loss from investments	-	-	(2,388,000)	-	(2,388,000)
Income tax expense	-	-	-	(463,000)	(463,000)
Net (loss) income	$ (2,980,000)	$ 2,776,000	$ (2,388,000)	$ (2,707,000)	$ (5,299,000)
Total assets	$ 50,860,000	$ 46,635,000	$ 751,000	$ 4,995,000	$ 103,241,000

As of and for the nine months ended March 31, 2024	Hotel Operations	Real Estate Operations	Investment Transactions	Corporate	Total
Revenues	$ 32,076,000	$ 12,638,000	$ -	$ -	$ 44,714,000
Segment operating expenses	(27,925,000)	(7,774,000)	-	(3,365,000)	(39,064,000)
Segment income (loss)	4,151,000	4,864,000	-	(3,365,000)	5,650,000
Interest expense - mortgage	(5,796,000)	(1,899,000)	-	-	(7,695,000)
Depreciation and amortization expense	(2,597,000)	(2,094,000)	-	(453,000)	(5,144,000)
Loss from investments	-	-	(636,000)	-	(636,000)
Income tax benefit	-	-	-	191,000	191,000
Net (loss) income	$ (4,242,000)	$ 871,000	$ (636,000)	$ (3,627,000)	$ (7,634,000)
Total assets	$ 46,804,000	$ 47,907,000	$ 14,684,000	$ 9,560,000	$ 118,955,000

NOTE 11 – RELATED PARTY AND OTHER FINANCING TRANSACTIONS

The following summarizes the balances of other notes payable as of March 31, 2025 and June 30, 2024, respectively.

As of	March 31, 2025	June 30, 2024
Note payable - Hilton	$ 1,663,000	$ 1,742,000
Note payable - Aimbridge	458,000	646,000
Total other notes payable	$ 2,121,000	$ 2,388,000

On July 2, 2014, the Partnership obtained from InterGroup an unsecured loan in the principal amount of $4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. InterGroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The loan was extended to July 31, 2023. On December 16, 2020, the Partnership and InterGroup entered into a loan modification agreement which increased the Partnership's borrowing from InterGroup as needed up to $10,000,000. 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. 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. In July 2023, the note maturity date was extended to July 31, 2025 and the borrowing amount available was increased to $20,000,000. The Company agreed to a 0.5% loan extension and modification fee payable to InterGroup. 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. As of June 30, 2024, the balance of the loan was $26,493,000 net of loan amortization costs of zero. In March 2025, Portsmouth and InterGroup executed a loan modification agreement that increased Portsmouth's available borrowing capacity to $40,000,000 and extended the loan's maturity date to July 31, 2027. During the nine months ended March 31, 2025, the Company borrowed an additional $11,615,000 to fund its hotel operations. As of March 31, 2025 the balance of the loan was $38,108,000 and the Company has not made any paid-downs to its note payable to InterGroup. All material intercompany accounts and transactions have been eliminated in consolidation.

Note payable to Hilton (Franchisor) is a self-exhausting, interest free development incentive note which is reduced by approximately $316,000 annually through 2030 by Hilton if the Company is still a Franchisee with Hilton.

On February 1, 2017, Operating entered into a 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 Aimbridge to advance a key money incentive fee to the Hotel for capital improvements in the amount of $2,000,000 under certain terms and conditions described in a separate key money agreement. The key money contribution shall be amortized in equal monthly amounts over an eight (8) year period commencing on the second anniversary of the takeover date. The unamortized portion of $458,000 and $646,000 of the key money is included in the other notes payable in the consolidated balance sheets as of March 31, 2025 and June 30, 2024, respectively.

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

For the year ending June 30,

2025 (3 months)	$ 142,000
2026	567,000
2027	463,000
2028	317,000
2029	317,000
Thereafter	315,000
	$ 2,121,000

A. Mortgage and Mezzanine Loan History

In December 2013, Justice Investors Limited Partnership (“Justice”), then a consolidated subsidiary of Portsmouth Square, Inc. (the “Company”), obtained a $97,000,000 mortgage loan and a $20,000,000 mezzanine loan to fund the redemption of limited partnership interests and repay a prior $42,940,000 mortgage loan. The mortgage loan was secured by the Company’s principal asset, the Hilton San Francisco Financial District (the “Hotel”), and bore interest at 5.275% per annum. The loan required interest-only payments through January 2017 and began amortizing thereafter on a 30-year schedule, maturing on January 1, 2024. The mortgage loan was guaranteed in part by Portsmouth.

The mezzanine loan, originally bearing interest at 9.75% per annum and maturing concurrently with the senior loan, was secured by the membership interests of Justice Operating Company, LLC (“Operating”), held by Justice Mezzanine Company, LLC (“Mezzanine”), and was subordinated to the mortgage debt. The mezzanine loan was refinanced in July 2019 through a new agreement with CRED REIT Holdco LLC (“Mezzanine Lender”) in the amount of $20,000,000, at a reduced fixed interest rate of 7.25%, also maturing on January 1, 2024.

As of June 30, 2024, the outstanding mortgage loan balance was $76,962,000. As of December 31, 2024, the outstanding balance was $75,789,000.

B. Forbearance Agreements and Defaults

Due to the maturity of both loans on January 1, 2024, and the absence of full repayment by that date, Portsmouth negotiated forbearance agreements with both lenders on April 29, 2024, as discussed in Note 2 – Liquidity.

Mortgage Loan Forbearance Agreement (U.S. Bank and others, the “Mortgage Lender”):

- Provided forbearance through January 1, 2025, assuming no termination event.
- Required a 10% principal paydown of $8,590,000.
- Included accrual of 4% default interest, retroactive to January 1, 2024, payable upon final maturity or prepayment.
- Included a 1% forbearance fee of $859,000, paid at execution.
- Operating continued timely monthly payments during the forbearance period.
- Guaranteed by Portsmouth.

Mezzanine Loan Forbearance Agreement (CRED REIT Holdco LLC):

- Provided forbearance through January 1, 2025, contingent on no termination event.
- Mezzanine Lender advanced $4.5 million to cover the senior loan principal paydown.
- Required 4% default interest accrual and a 1% forbearance fee ($245,000), both payable at final maturity or prepayment.
- No payments were required during the forbearance period.
- Guaranteed by Portsmouth.

Both agreements contained customary covenants, events of default, and representations and warranties. On January 3, 2025, Portsmouth received a Notice of Termination from the Mortgage Lender, citing a termination event for failure to repay the debt by the forbearance expiration. On January 14, 2025, the Mezzanine Lender issued a Notice of Default, asserting its rights to pursue all remedies under the agreement.

These defaults were the primary contributors to Portsmouth’s substantial doubt assessment under ASC 205-40, as disclosed in Note 2 – Liquidity.

C. Debt Refinancing Completed on March 28, 2025

On January 21, 2025, Portsmouth executed a non-binding term sheet with Prime Finance ("Prime") for a new senior loan. On March 28, 2025, Portsmouth closed on both a senior mortgage loan and modified mezzanine loan (collectively, the "Loan Agreements"), fully retiring the prior debt with U.S. Bank and CRED REIT Holdco LLC.

- Mortgage Loan: Operating entered into a $67,000,000 Mortgage Loan Agreement with Prime. The loan bears interest at SOFR + 4.75%, with a SOFR cap of 4.50%, and matures in two years with three one-year extension options, subject to satisfaction of financial and operational covenants. The Interest Rate Cap caps Term SOFR at 4.50% and has a notional amount equal to or greater than the outstanding principal balance of the loan. The Company paid a premium of approximately $136,000 for the cap at inception. The loan is secured by the Hotel.
- Mezzanine Loan: Mezzanine executed a modified Mezzanine Loan Agreement with CRED REIT Holdco LLC for a principal amount of $36,300,000 at a fixed rate of 7.25% per annum, on matching terms to the senior loan. The loan is secured by Mezzanine's membership interest in Operating.

Portsmouth and the Company continue to provide a limited guaranty in connection with both facilities. The Company is also subject to customary covenants, including financial ratios and affirmative obligations.

D. DSCR and Lockbox Arrangements

Operating has not maintained compliance with the required Debt Service Coverage Ratio ("DSCR") under both the original and refinanced loans. This condition ordinarily triggers a lender-imposed cash management lockbox. However, such a lockbox mechanism was in place from inception, and remains in effect through loan maturity, regardless of DSCR performance. Cash receipts from the Hotel are deposited into lender-controlled accounts, with controlled disbursements based on agreed-upon budget approvals.

E. Governance and Related Party Disclosure

All of Portsmouth's directors serve as directors of InterGroup — John V. Winfield, William J. Nance, John C. Love, Yvonne Murphy, and Steve Grunwald. Mr. Winfield is Chairman of the Board and Chief Executive Officer of both Portsmouth and InterGroup. He served as Managing Director of Justice until its dissolution in December 2021.

Portsmouth encourages investments by its CEO and InterGroup in the same companies in which Portsmouth invests, as such alignment of interests places personal and affiliate capital at risk alongside Company capital.

NOTE 12 – ACCOUNTS PAYABLE AND OTHER LIABILITIES

The following summarizes the balances of accounts payable and other liabilities as of March 31, 2025 and June 30, 2024:

As of	March 31, 2025	June 30, 2024
Trade payable	$ 2,084,000	$ 2,999,000
Advance deposits	504,000	557,000
Property tax payable	361,000	563,000
Payroll and related accruals	3,269,000	3,183,000
Mortgage interest payable	2,406,000	3,930,000
Withholding and other taxes payable	1,355,000	1,382,000
Security deposit	1,011,000	952,000
Franchise fees	1,278,000	1,418,000
Management fees payable	423,000	2,688,000
Other	374,000	350,000
Total accounts payable and other liabilities	$ 13,065,000	$ 18,022,000

NOTE 13 – SUBSEQUENT EVENTS

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

Item 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

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

Such statements are subject to certain risks and uncertainties. These risks and uncertainties include, but are not limited to, the following: national and worldwide economic conditions, including the impact of recessionary conditions on tourism, travel and the lodging industry; the impact of terrorism and war on the national and international economies, including tourism, securities markets, energy and fuel costs; natural disasters; general economic conditions and competition in the hotel industry in the San Francisco area; seasonality, labor relations and labor disruptions; actual and threatened pandemics such as swine flu or the outbreak of COVID-19 or similar outbreaks; the ability to obtain financing at favorable interest rates and terms; securities markets, regulatory factors, litigation and other factors discussed below in this Report and in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2024. These risks and uncertainties could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as to the date hereof. The Company undertakes no obligation to publicly release the results of any revisions to those forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS

As of March 31, 2025, the Company owned approximately 75.9% of the common shares of Portsmouth Square, Inc. The Company’s principal sources of revenue are revenues from the hotel owned by Portsmouth, rental income from its investments in multi-family and commercial real estate properties, and income received from investment of its cash and securities assets.

Portsmouth’s primary asset is a 544-room hotel property located at 750 Kearny Street, San Francisco, California 94108, known as the “Hilton San Francisco Financial District” (the “Hotel” or the “Property”) and related facilities, including a five-level underground parking garage. The financial statements of Portsmouth have been consolidated with those of the Company.

In addition to the operations of the Hotel, the Company also generates income from the ownership and management of its real estate. Properties include sixteen apartment complexes, one commercial real estate property, and three single-family houses as strategic investments. The properties are located throughout the United States but are concentrated in Texas and Southern California. The Company also has an investment in unimproved real property in Hawaii.

The Company acquires its investments in real estate and other investments utilizing cash, securities or debt, subject to approval or guidelines of the Board of Directors. The Company also invests in income-producing instruments, equity and debt securities and will consider other investments if such investments offer growth or profit potential.

Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

The Company had net income of $750,000 for the three months ended March 31, 2025 compared to net loss of $3,861,000 for the three months ended March 31, 2024. The decrease in loss is primarily attributable to the refinance waiver of default interest and forbearance fee.

Hotel Operations

The Company had net income from Hotel operations of $583,000 for the three months ended March 31, 2025 compared to net loss of $1,958,000 for the three months ended March 31, 2024. The decrease in loss is primarily attributable to the refinance waiver of default interest and forbearance fee by the mezzanine lender and increased room revenues.

The following table sets forth a more detailed presentation of Hotel operations for the three months ended March 31, 2025 and 2024:

For the three months ended March 31,	**2025**	**2024**
Hotel revenues:		
Hotel rooms	$ 10,534,000	$ 9,018,000
Food and beverage	728,000	924,000
Garage	760,000	710,000
Other operating departments	188,000	106,000
Total Hotel revenues	12,210,000	10,758,000
Operating expenses excluding depreciation and amortization	(9,685,000)	(9,239,000)
Operating income before gain on extinguishment of debt, interest expense, depreciation and amortization	2,525,000	1,519,000
Gain on extinguishment of debt	1,416,000	-
Interest expense - mortgage	(2,459,000)	(2,591,000)
Depreciation and amortization expense	(899,000)	(886,000)
Net loss from Hotel operations	$ 583,000	$ (1,958,000)

For the three months ended March 31, 2025, the Hotel had operating income of $2,525,000 before mortgage interest expense, depreciation, and amortization on total operating revenues of $12,210,000 compared to operating income of $1,519,000 before mortgage interest expense, depreciation and amortization on total operating revenues of $10,758,000 for the three months ended March 31, 2024.

For the three months ended March 31, 2025, room revenues increased by $1,516,000, food and beverage revenue decreased by $196,000 and garage increased by $50,000 compared to the three months ended March 31, 2024. Total operating expenses increased by $446,000 due to increases in union salaries and wages, Hilton marketing and guest loyalty fees, travel agent and group commissions.

The following table sets forth the average daily room rate, average occupancy percentage and RevPAR of the Hotel for the three months ended March 31, 2025 and 2024:

Three Months Ended March 31,	**Average Daily Rate**	**Average Occupancy %**	**RevPAR**
2025	$ 241	89%	$ 215
2024	$ 232	78%	$ 182

The Hotel's revenues increased by 13% this quarter as compared to the previous comparable quarter. Average daily rate increased by $9, average occupancy increased by 11%, and RevPAR increased by $33 for the three months ended March 31, 2025 compared to the three months ended March 31, 2024.

Real Estate Operations

Revenue from real estate operations increased to $4,614,000 for the three months ended March 31, 2025 from $4,125,000 for the three months ended March 31, 2024 primarily due to decrease in vacancy at its Missouri property which is rebranding and was undergoing renovation. Real estate operating expenses decreased to $2,431,000 from $2,612,000 year over year primarily due to decreased repairs and maintenance. Management continues to review and analyze the Company's real estate operations to improve occupancy and rental rates and to reduce expenses and improve efficiencies.

Investment Transactions

The Company had a net loss on marketable securities of $1,097,000 for the three months ended March 31, 2025 compared to a net loss on marketable securities of $811,000 for the three months ended March 31, 2024. For the three months ended March 31, 2025, the Company had a net realized loss of $74,000 and a net unrealized loss of $1,023,000. For the three months ended March 31, 2024, the Company had a net realized gain of $9,000 and a net unrealized loss of $820,000. Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's results of operations. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company's marketable securities see the Marketable Securities section below.

Nine Months Ended March 31, 2025 Compared to Nine Months Ended March 31, 2024

The Company had net loss of $5,299,000 for the nine months ended March 31, 2025 compared to net loss of $7,634,000 for the nine months ended March 31, 2024. The decrease in loss is primarily attributable to the refinance waiver of default interest and forbearance fee by the mezzanine lender and increased room revenues.

Hotel Operations

The Company had net loss from Hotel operations of $2,980,000 for the nine months ended March 31, 2025 compared to net loss of $4,242,000 for the nine months ended March 31, 2024. The decrease in loss is primarily attributable to the increase in rooms revenue and a decrease in operating expenses.

The following table sets forth a more detailed presentation of Hotel operations for the nine months ended March 31, 2025 and 2024:

For the nine months ended March 31,		**2025**		**2024**
Hotel revenues:				
Hotel rooms	$	29,045,000	$	26,982,000
Food and beverage		2,115,000		2,523,000
Garage		2,415,000		2,243,000
Other operating departments		420,000		328,000
Total Hotel revenues		33,995,000		32,076,000
Operating expenses excluding depreciation and amortization		(27,532,000)		(27,925,000)
Operating income before interest expense, depreciation and amortization		6,463,000		4,151,000
Gain on extinguishment of debt		1,416,000		-
Interest expense - mortgage		(8,128,000)		(5,796,000)
Depreciation and amortization expense		(2,731,000)		(2,597,000)
Net loss from Hotel operations	$	(2,980,000)	$	(4,242,000)

For the nine months ended March 31, 2025, the Hotel had operating income of $6,463,000 before interest expense, depreciation, and amortization on total operating revenues of $33,995,000 compared to operating income of $4,151,000 before interest expense, depreciation, and amortization on total operating revenues of 32,076,000 for the nine months ended March 31, 2024.

For the nine months ended March 31, 2025, room revenues increased by $2,063,000, food and beverage revenue decreased by $408,000, garage revenue increased by $172,000 compared to the nine months ended March 31, 2024. Total operating expenses decreased by $393,000 due to decreased commissions, franchise fees, Hilton marketing fees, and salaries and wages.

The following table sets forth the average daily room rate, average occupancy percentage and RevPAR of the Hotel for the nine months ended March 31, 2025 and 2024.

Nine Months Ended March 31,	Average Daily Rate	Average Occupancy %	RevPAR
2025	$ 213	91%	$ 194
2024	$ 219	82%	$ 180

The Hotel's revenues increased by 6% for the nine months ended March 31, 2025 as compared to the nine months ended March 31, 2024. Average daily rate decreased by $6, average occupancy increased by 9%, and RevPAR increased by $14 for the nine months ended March 31, 2025 compared to the nine months ended March 31, 2024.

Real Estate Operations

Revenue from real estate operations increased to $14,176,000 for the nine months ended March 31, 2025 from $12,638,000 for the nine months ended March 31, 2024. Real estate operating expenses decreased to $7,096,000 from $7,774,000 year over year primarily due to decrease in turn-over expenses, and maintenance and repair expenses. Management continues to review and analyze the Company's real estate operations to improve occupancy and rental rates and to reduce expenses and improve efficiencies.

Investment Transactions

The Company had a net loss on marketable securities of $1,566,000 for the nine months ended March 31, 2025 compared to a net gain on marketable securities of $164,000 for the nine months ended March 31, 2024. For the nine months ended March 31, 2025, the Company had a net realized loss of $329,000 and a net unrealized loss of $1,237,000. For the nine months ended March 31, 2024, the Company had a net realized gain of $1,374,000 and a net unrealized loss of $1,210,000.

Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's results of operations. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company's marketable securities see the Marketable Securities section below.

MARKETABLE SECURITIES

The following table shows the composition of the Company's marketable securities portfolio as of March 31, 2025 and June 30, 2024 by selected industry groups:

As of March 31, 2025 Industry Group	Fair Value	% of Total Investment Securities
REITs and real estate companies	$ 749,000	100%
Technology	2,000	0%
	$ 751,000	100%

As of June 30, 2024 Industry Group	Fair Value	% of Total Investment Securities
REITs and real estate companies	$ 3,358,000	45%
Communication services	1,994,000	27%
T-Notes	933,000	13%
Energy	303,000	4%
Financial services	269,000	4%
Healthcare	179,000	2%
Utilities	163,000	2%
Industrials	159,000	2%
Basic material	75,000	1%
Technology	21,000	0%
	$ 7,454,000	100%

As of March 31, 2025, the Company's investment portfolio is was comprised of 2 different equity positions. The portfolio is concentrated, with one investment accounting for a significant majority of the total equity value. Specifically, the Company held common stock of American Realty Investors, Inc. (NASDAQ: ARL), which represented approximately 99% of the total equity investment portfolio as of the reporting date. American Realty Investors, Inc. is included in the financial services industry group.

As of June 30, 2024, the Company's investment portfolio was diversified with 24 different equity positions. The Company held two equity securities that comprised more than 10% of the equity value of the portfolio. The two largest security positions represent 28% and 22% of the portfolio and consists of the common stock of American Realty Investors, Inc. (NASDAQ: ARL) and Alphabet Inc. (NASDAQ: GOOG), which are included in the REITs and real estate companies and Communication Services, respectively.

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

For the three months ended March 31,	**2025**	**2024**
Net loss on marketable securities	$ (1,097,000)	$ (811,000)
Dividend and interest income	35,000	63,000
Trading and management expenses	(317,000)	(430,000)
Net loss from investment transactions	$ (1,379,000)	$ (1,178,000)

For the nine months ended March 31,	2025	2024
Net (loss) gain on marketable securities	$ (1,566,000)	$ 164,000
Dividend and interest income	156,000	333,000
Trading and management expenses	(978,000)	(1,133,000)
Net loss from investment transactions	$ (2,388,000)	$ (636,000)

FINANCIAL CONDITION AND LIQUIDITY

As of March 31, 2025, the Company had total cash, cash equivalents, and restricted cash of $13,394,000, compared to $8,694,000 as of June 30, 2024. The Company also held marketable securities, net of margin balances, of $751,000, compared to $7,266,000 at June 30, 2024. These marketable securities are short-term and considered readily convertible to cash.

Related Party Credit Facility – InterGroup

Portsmouth continues to rely on a related party revolving credit facility with its parent company, InterGroup to support hotel operations and liquidity needs. This unsecured facility, originally entered into in 2014 and subsequently modified, has undergone several amendments over time.

Key modifications include:

- December 2021: Portsmouth assumed $11.35 million in outstanding debt upon the dissolution of Justice Investors L.P.
- July 2023: Increased available borrowings to $20,000,000 and extended maturity to July 31, 2025 with a 0.5% loan modification fee.
- March 2024: Increased available borrowings to $30,000,000 with a 0.5% loan modification fee
- March 2025: Further increased available borrowing capacity to $40,000,000 and extended the maturity to July 31, 2027.

The facility bears 12% annual interest, is interest-only, and may be prepaid at any time without penalty. During the nine months ended March 31, 2025, Portsmouth borrowed an additional $11,615,000 to fund Hotel refinancing and Hotel operations. As of that date, the outstanding balance was $38,108,000, and Portsmouth had not made any principal repayments. This facility remains a critical source of liquidity and flexibility for Portsmouth. See also Note 11 – Related Party and Other Financing Transactions. Portsmouth has not made any paid-downs to its note payable to InterGroup. All material intercompany accounts and transactions have been eliminated in consolidation.

Real Estate

In December 2024, the Company refinanced mortgage on its 157-unit apartment located in Florence, Kentucky in the amount of $9,800,000. The term of the loan is approximately 10 years with an interest rate at 5.40%. The loan matures in January 2035.

Liquidity Requirements

The Company's short-term liquidity needs include:

- Hotel operating costs, including payroll, utilities, franchise and management fees,
- Corporate overhead and tax obligations,
- Interest payments and required loan maintenance under both senior and mezzanine debt agreements, and
- Routine repair and maintenance capital expenditures at the Hotel.

Long-term liquidity requirements include:

- Scheduled debt maturities, including those disclosed in Note 11, and
- Capital improvements to maintain the competitiveness and operational standards of the Hotel under its Hilton franchise agreement.

The Company intends to meet these obligations using a combination of:

- Available cash on hand,
- Operating cash flows,
- Draws under the InterGroup credit facility, and
- Other potential financing or equity alternatives.

Management's Liquidity Assessment

As further discussed in Note 2 – Liquidity, the Company has taken proactive steps to stabilize its liquidity profile, including:

- Completion of a refinancing of its senior and mezzanine debt in March 2025,
- Continuing cost controls and selective capital expenditure deferrals,
- Strategic use of related party financing, and
- Maintenance of a lender-controlled lockbox cash management system.

While management believes that current liquidity sources and available borrowing capacity will be sufficient to support near-term working capital needs—even in the event of continued pressure on hotel performance indicators such as occupancy and RevPAR—there can be no assurance that unforeseen market or operational conditions will not adversely affect the Company's liquidity position.

The Company continues to evaluate strategic alternatives and operational adjustments in response to ongoing macroeconomic and market-specific challenges in San Francisco's hospitality sector.

Going Concern

The condensed consolidated financial statements of Portsmouth for the quarter ended March 31, 2025, have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. However, as described below, certain conditions and events raise substantial doubt about Portsmouth's ability to continue as a going concern within one year following the issuance of these financial statements.

As of March 31, 2025, Portsmouth had outstanding obligations under a senior mortgage loan and mezzanine loan that had previously matured on January 1, 2024, with an aggregate principal balance of $100.3 million. Following the maturity date, Portsmouth received default notices from both the senior loan servicer, LNR Partners, LLC, and the mezzanine lender, CRED Reit Holdco LLC, in January 2024. In response, Portsmouth entered into forbearance agreements with both lenders on April 29, 2024, which temporarily extended the loan maturity dates to January 1, 2025, allowing time to pursue long-term refinancing.

Despite Portsmouth's continued efforts, including active negotiations and timely debt service payments, the forbearance periods expired without full repayment. As a result, the senior loan servicer issued a Notice of Termination on January 3, 2025, and the mezzanine lender issued a subsequent Notice of Default on January 14, 2025. These notices reinstated the lenders' full rights and remedies, including acceleration and foreclosure actions.

On March 28, 2025, Portsmouth completed a refinancing of its senior debt through a new $67.0 million mortgage loan with PRIME Finance. The mortgage loan bears interest at a floating rate equal to 30-day SOFR plus 4.75%, subject to an interest rate cap that limits SOFR to 4.50%. The loan has a two-year initial term with three one-year extension options, subject to meeting certain financial and operational covenants.

Simultaneously, Portsmouth modified its mezzanine loan agreement with CRED Reit Holdco LLC, restructuring the outstanding mezzanine balance into a $36.3 million fixed-rate facility bearing interest at 7.25% per annum. The mezzanine loan shares the same maturity profile and extension structure as the senior mortgage loan.

Management believes that the successful refinancing materially improves Portsmouth's near-term liquidity position and provides a stable capital structure to support ongoing operations. Nevertheless, Portsmouth continues to face adverse macroeconomic and industry-specific conditions, including persistently high interest rates, suppressed business travel demand in the San Francisco market, and elevated labor costs. These factors, combined with uncertainty regarding future refinancing at maturity, create significant risks to Portsmouth's cash flows and financial flexibility.

While Portsmouth has maintained compliance with debt service requirements and completed major renovations to enhance asset competitiveness, including the ongoing lobby renovation and restoration of 14 guest rooms expected to return to inventory by June 30, 2025, management cannot provide assurance that operating cash flows will be sufficient to meet all future obligations or that refinancing or extension options will be available on favorable terms, if at all.

As a result, management has concluded that substantial doubt exists about Portsmouth's ability to continue as a going concern for the twelve-month period following the issuance of these financial statements. Portsmouth continues to evaluate strategic options to improve liquidity and financial performance and is committed to executing its business plan under the current market conditions.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

MATERIAL CONTRACTUAL OBLIGATIONS

The following table provides a summary as of March 31, 2025, the Company's material financial obligations which also includes interest payments.

	Total	3 Months 2025	Year 2026	Year 2027	Year 2028	Year 2029	Thereafter
Mortgage and subordinated notes payable	$198,396,000	$5,589,000	$ 1,162,000	$106,596,000	$1,770,000	$1,845,000	$81,434,000
Other notes payable	2,121,000	142,000	567,000	463,000	317,000	317,000	315,000
Interest	40,970,000	2,454,000	11,667,000	11,098,000	2,648,000	2,582,000	10,521,000
Total	$241,487,000	$8,185,000	$13,396,000	$118,157,000	$4,735,000	$4,744,000	$92,270,000

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 Hotel's revenues due to inflation. The Company's revenues are also subject to interest rate risks, which may be influenced by inflation. For the two most recent fiscal years, the impact of inflation on the Company's income is not viewed by management as material.

The Company's residential rental properties provide income from short-term operating leases and no lease extends beyond one year. Rental increases are expected to offset anticipated increased property operating expenses.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Critical accounting policies are those that are most significant to the portrayal of our financial position and results of operations and require judgments by management in order to make estimates about the effect of matters that are inherently uncertain. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an ongoing basis, including those related to the consolidation of our subsidiaries, to our revenues, allowances for bad debts, accruals, asset impairments, other investments, income taxes and commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions. There have been no material changes to the Company's critical accounting policies during the nine months ended March 31, 2025.

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.

The Company and its subsidiary Portsmouth, compute and file income tax returns and prepare discrete income tax provisions for financial reporting. The income tax benefit during the three months ended March 31, 2025 and 2024 represents primarily the combined income tax effect of Portsmouth's pretax loss which includes the net loss from the Hotel and the pre-tax loss from InterGroup (standalone). InterGroup and Portsmouth file their respective income tax returns on a calendar year basis.

DEFERRED INCOME TAXES – VALUATION ALLOWANCE

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

HOTEL ASSETS AND DEFINITE-LIVED INTANGIBLE ASSETS

We evaluate property and equipment, and definite-lived intangible assets for impairment quarterly, and when events or circumstances indicate the carrying value may not be recoverable, we evaluate the net book value of the assets by comparing to the projected undiscounted cash flows of the assets. We use judgment to determine whether indications of impairment exist and consider our knowledge of the hospitality industry, historical experience, location of the property, market conditions, and property-specific information available at the time of the assessment. The results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis. When an indicator of impairment exists, judgment is also required in determining the assumptions and estimates to use within the recoverability analysis and when calculating the fair value of the asset or asset group, if applicable. Changes in economic and operating conditions impacting the judgments used could result in impairments to our long-lived assets in future periods. Historically, changes in estimates used in the property and equipment and definite-lived intangible assets impairment assessment process have not resulted in material impairment charges in subsequent periods as a result of changes made to those estimates. There were no indicators of impairment on its hotel investments or intangible assets and accordingly no impairment losses recorded during the nine months ended March 31, 2025 and 2024, respectively.

STOCK-BASED COMPENSATION

We account for stock-based compensation by measuring and recognizing as compensation expense the fair value of all share-based payment awards made to employees, including employee stock options, restricted stock awards and employee stock purchases related to the Employee Stock Purchase Plan, or ESPP, based on estimated grant date fair values. The determination of fair value involves a number of significant estimates. We use the Black Scholes option pricing model to estimate the value of employee stock options which requires a number of assumptions to determine the model inputs. These include the expected volatility of our stock and employee exercise behavior which are based on historical data as well as expectations of future developments over the term of the options.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

PART II
OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Portsmouth Square, Inc., through its operating company Justice Investors Operating Company, LLC, a Delaware limited liability company (the "Company"), is the owner of the real property located at 750 Kearny Street in San Francisco, currently improved with a 27 – story building which houses a Hilton Hotel (the "Property"). The Property was purchased and improved pursuant to 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-owned park and underground parking garage known as Portsmouth Square (the "Bridge"). Included in the approval process was the City's issuance of a Major Encroachment Permit ("Permit") allowing the Bridge to span over Kearney Street. As of May 24, 2022, the City has purported to revoke the Permit and on June 13, 2022, directed the Company to submit a general bridge removal and restoration plan (the "Plan") at the Company's expense. The Company disputes the legality of the purported revocation of the Permit. The Company further disputes the existence of any legal or contractual obligation to remove the Bridge at its expense. In particular, representatives of the Company participated in meetings with the City on and at various times after August 1, 2019, to discuss a collaborative process for the possible removal of the Bridge. Until the purported revocation of the Permit in 2022, the City representatives repeatedly and consistently promised and agreed that the City will pay for the associated costs of any Bridge removal. Nevertheless, without waiving any rights, in an effort to understand all of the available options, and to provide a response to the City's directives, the Company has engaged a Project Manager, a structural engineering firm and an architect to participate in 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 second quarter of 2025. A final Plan is currently not expected to be completed and approved until the Spring of 2025, and permits for the Bridge demolition are unlikely to be obtained until August of 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.

Item 1A. RISK FACTORS

On November 21, 2024, the Company received a Staff Deficiency Letter from the Nasdaq Stock Market Listing Qualifications Department indicating that the Company did not maintain minimum Market Value of Listed Securities ("MVLS") of $35 million from October 7, 2024 to November 20, 2024 and thus no longer complied with the requirements pursuant to Listing Rules 550(b)(1) and 5550(b)(3). The Company was given until May 20, 2025, to regain compliance with all continued listing requirements of the Nasdaq Capital Market by at anytime during this compliance period the Company's MVLS closing at $35 million or more for a minimum of ten consecutive business days. The Company has been unable to meet this criterion, and it also faces the same deficiency as a result of the continued negative stockholders equity as of March 31, 2025. The Company expects to receive an additional deficiency letter with respect thereto upon filing of this Form 10-Q. As a result of this additional deficiency and the Company's inability to remedy the initial deficiency in a timely manner, it will likely have to appeal these deficiencies to a Nasdaq Hearing Panel. If the Company does not appeal to the Hearings Panel, or if its appeal is unsuccessful, then its stock would be delisted from Nasdaq and trade on the OTC Pinksheets and starting in July, the new basic OTCID (or the OTCQB or OTCQX upon application if made). Stocks trading on the over the counter markets face numerous incremental risks, including, but not limited to, decreased liquidity which can result in lowered stock prices and potential litigation. Also, over the counter stocks face additional challenges in obtaining financing at favorable terms, if at all.

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

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

Item 3. DEFAULTS UPON SENIOR SECURITIES

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

Item 4. MINE SAFETY DISCLOSURES

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

Item 5. OTHER INFORMATION

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

Item 6. EXHIBITS

31.1	Certification of Principal Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
31.2	Certification of Principal Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

THE INTERGROUP CORPORATION
(Registrant)

Date: May 15, 2025

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

Date: May 15, 2025

by */s/ Ann Marie Blair*
Ann Marie Blair
Treasurer and Controller
Principal Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, John V. Winfield, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The InterGroup Corporation;

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2025

/s/ John V. Winfield

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

EXHIBIT 31.2

CERTIFICATION

I, Ann Marie Blair, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The InterGroup Corporation;

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2025

/s/ Ann Marie Blair
Ann Marie Blair
Treasurer and Controller
(Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of The InterGroup Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John V. Winfield, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

/s/ John V. Winfield

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

Date: May 15, 2025

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

EXHIBIT 32.2

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

In connection with the Quarterly Report of The InterGroup Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ann Marie Blair, Treasurer and Controller of the Company, serving as its Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

/s/ Ann Marie Blair
Ann Marie Blair
Treasurer and Controller
(Principal Financial Officer)

Date: May 15, 2025

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