

# Drive Shack Inc.

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## Annual Report

**For the period ending December 31, 2024**  
(the "Reporting Period")

### Securities:

<u>Title of each class:</u>	<u>Trading Symbol(s)</u>	<u>Name of exchange on which registered:</u>
Common Stock, \$0.01 par value per share	DSHK	Over the Counter Markets (OTCMKTS)
9.75% Series B Cumulative Redeemable Preferred Stock, \$0.01 par value per share	DSHKP	Over the Counter Markets (OTCMKTS)
8.05% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value per share	DSHKN	Over the Counter Markets (OTCMKTS)
8.375% Series D Cumulative Redeemable Preferred Stock, \$0.01 par value per share	DSHKO	Over the Counter Markets (OTCMKTS)

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

The aggregate market value of the common stock held by non-affiliates as of December 31, 2024 (computed based on the closing price on the last business day of the registrant's most recently completed fourth quarter as reported) was: \$19,944,252.

The number of shares outstanding of the registrant's common stock was 199,442,524 as of March 17, 2025.

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains certain “forward-looking statements”. Such forward-looking statements relate to, among other things, our operating performance, the performance of our investments, the stability of our earnings, and our financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “endeavor,” “seek,” “anticipate,” “estimate,” “overestimate,” “underestimate,” “believe,” “could,” “project,” “forecast,” “predict,” “continue” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual outcome of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- factors impacting attendance, such as local conditions, contagious diseases or the perceived threat of contagious diseases, disturbances, natural disasters, and terrorist activities;
- our financial liquidity and ability to access capital;
- the ability to retain and attract members and guests to our properties;
- changes in global, national and local economic conditions, including, but not limited to, increases in unemployment levels, changes in consumer spending patterns, a prolonged economic slowdown and a downturn in the real estate market;
- effects of unusual weather patterns and extreme weather events, geographical concentrations with respect to our operations and seasonality of our business;
- competition within the industries in which we operate or where we may pursue additional investments, including competition for sites for our entertainment golf venues;
- material increases in our expenses, including but not limited to unanticipated labor issues, monetary inflation, rent or costs with respect to our workforce, and costs of goods, utilities and supplies;
- our inability to sell or exit certain properties, and unforeseen changes to our ability to develop, redevelop or renovate certain properties;
- our ability to further invest in our business and implement our strategies;
- liabilities with respect to inadequate insurance coverage, accidents or injuries on our properties, adverse litigation judgments or settlements, or membership deposits;
- changes to and failure to comply with relevant regulations and legislation, including in order to maintain certain licenses and permits, and environmental regulations in connection with our operations;
- impacts of failures of our information technology and cybersecurity systems;
- the impact of any current or further legal proceedings and regulatory investigations and inquiries; and
- other risks detailed from time to time below, particularly under the heading “Risk Factors,” and in our other reports made available on <http://ir.driveshack.com> and [otcm Markets.com/DSHK/disclosure](http://otcm Markets.com/DSHK/disclosure).

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement.

Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management’s views only as of the date of this report. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

# DRIVE SHACK INC.

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## PART I

### Item 1. Business.

#### Overview

Drive Shack Inc., a Maryland corporation, was formed in 2002, and its common stock is traded on the OTCMKTS under the symbol "DSHK." Drive Shack Inc., together with its subsidiaries, is referenced herein as "Drive Shack Inc.", "the Company", "we", or "our". The Company owns and operates golf-related leisure and entertainment venues and courses focused on bringing people together through competitive socializing, by combining sports and entertainment with elevated food and beverage offerings. The Company conducts its business through the following segments: (i) entertainment golf, (ii) traditional golf and (iii) corporate. For a further discussion of the reportable segments, see Note 4 in part II, Item 7 "Financial Statements and Supplementary Data".

- **Entertainment golf | *Drive Shack and Puttery***

Drive Shack offers competitive, social entertainment through its golf-related leisure and large-format entertainment venues with gaming and premier golf technology, a chef-inspired menu, craft cocktails, and engaging social events throughout the year. Each Drive Shack venue features expansive, climate-controlled, suite style bays with lounge seating; augmented-reality golf games and virtual course play; a restaurant and multiple bars; an outdoor patio with lawn games; and arcade games.

As of December 31, 2024, the Company operated four Drive Shack venues located in Orlando, Florida; West Palm Beach, Florida; Raleigh, North Carolina; and Richmond, Virginia. Drive Shack venues are freestanding, 50,000 - 60,000 square feet, open-air venues built on approximately 12 acres. Additionally, the Company assigned its concession agreement in Manhattan (Randall's Island), New York to a third party during the year ended December 31, 2024.

This segment also includes the Company's indoor entertainment golf brand, Puttery, an adult-focused, modern spin on putting, re-defining the game within an immersive experience as guests move from one course to the next. With a high-energy atmosphere that combines plentiful curated culinary offerings and inventive craft cocktails centered around a lively bar area with great music, guests can relax and enjoy their evening before, during and after their tee time. Puttery venues range in size from 15,000 to 20,000 square feet and feature indoor putting courses anchored by bars and other social spaces that serve to create engaging and fun experiences for guests.

The Company launched its first Puttery venue in September 2021 in The Colony, Texas. As of December 31, 2024, the Company operated ten leased Puttery venues located in The Colony, Texas; Charlotte, North Carolina; Washington, D.C.; Houston, Texas; Kansas City, Missouri; Minneapolis, Minnesota; Pittsburgh, Pennsylvania; Chicago, Illinois; Miami, Florida; and New York City, New York. The Company opened the Puttery venues in Miami, Florida in January 2024 and New York City, New York in March 2024. Puttery venues are indoor venues typically located in urban and suburban dining and entertainment districts.

- **Traditional golf | *American Golf***

American Golf, acquired by the Company in December 2013, is one of the largest operators of golf properties in the United States. As an owner, lessee, and manager of golf courses and country clubs for over 45 years, we believe American Golf is one of the most experienced operators in the traditional golf industry. As of December 31, 2024, we owned, leased or managed 42 properties across seven states. American Golf is focused on delivering lasting experiences for our guests, with over 32,000 members and over 2.6 million rounds played at our properties during the twelve months ended December 31, 2024.

*Public Properties.* Our twenty-nine (29) leased public properties generate revenues principally through daily green fees, golf cart rentals and food, beverage and merchandise sales. Amenities at these properties generally include practice facilities, pro shops and food and beverage facilities. At certain locations, our public properties have larger clubhouses with extensive banquet facilities. In addition, The Players Club is a fee-based monthly membership program offered at most of our public properties, with membership benefits ranging from daily range access and off-peak course access to the ability to participate in golf clinics. The leases for three public properties expired on January 15, 2024 and were not renewed.

*Private Properties.* Our four (4) leased or owned private properties, which are open primarily to members and their guests, generate revenues principally through initiation fees, membership dues, food, beverage and merchandise sales, and guest fees. Amenities at these properties typically include practice facilities, full-service clubhouses with a pro shop, locker room facilities and multiple food and beverage outlets, including grills, restaurants and banquet facilities.

*Managed Properties.* Our nine (9) managed properties are operated by American Golf pursuant to management agreements with the owners of each property. We recognize revenue from each of these properties in an amount equal to a management fee and the reimbursements of certain operating costs. The management contracts for nine private managed properties expired on December 31, 2023 and were not renewed. The management contract for one public managed property expired on June 30, 2024 and was not renewed.

See Note 5 in Part II, Item 7 “Financial Statements and Supplementary Data” for additional information.

## **Strategy**

We believe Drive Shack Inc. is the only company comprised of a truly integrated portfolio of both entertainment and traditional golf businesses, which provides us with a unique opportunity to unlock top site locations by leveraging the operational experiences and municipal relationships developed by our traditional golf business. The Company strives to forward innovate and revolutionize next generation experiences. In September 2021, the Company launched Puttery, its newest competitive indoor socializing and entertainment platform.

Puttery has expanded our business by diversifying our experiential offerings with a modern spin on putting through innovative technology featuring a series of indoor putting courses anchored by bars and other social spaces that will serve to create engaging and fun experiences for our guests. Our Puttery venues require less space than a Drive Shack venue at approximately 15,000 - 20,000 square feet of indoor new or existing retail space.

Over the next twelve months, Management plans to continue operating, managing and marketing the entertainment and traditional venues with the intent to (i) optimize financial performance within the existing portfolio and (ii) opportunistically engage with new properties to add to the portfolios. In 2024, we were focused on rationalizing costs and restructuring our overhead. In the long-term, we believe opportunistic property expansion is key to the Company's growth.

As we build our brand through the existing operation of American Golf, Drive Shack and Puttery locations, we continue to strengthen our position in this growing industry. We believe there is significant opportunity to capture market share given the structural decline of dated businesses, coupled with the rising demand for social and interactive entertainment options. We have strategically aligned our Drive Shack and Puttery businesses to provide competitive, social and interactive experiences to capitalize on this opportunity. There are a variety of consumers who seek out active socializing options. We will use data and testing to understand unique drivers, test consumer behaviors, and understand spending habits, seeking to optimize the most effective way to target, acquire, and retain consumers.

- **A Modernized Socializing Experience**

*Current Consumer Preferences.* Our portfolio of current entertainment venues directly addresses consumers' changing preferences and provides a new type of leisure with multiple experiences under one roof, including:

- **Social Entertainment** – A unique and curated experience where guests can interact, compete and socialize in a sophisticated, fun setting.
- **Sports** – Technology forward activities and robust gaming platforms that promote competition and create unique and lasting experiences.
- **Food & Beverage** – A complete social experience is rounded out by exceptional food and beverage options. Along with heightened visual cues, craft cocktails and curated food choices will enhance the overall experience for every consumer.
- **Inclusivity** – An activity and experience that allows everyone to participate and enjoy, regardless of skill level.

Our focus is on creating an environment that enables sociable competition and connecting with friends and family, providing our guests with memorable and meaningful experiences. These experiences are designed to cater to a range of audiences and competitive appetites, to attract new guests and to drive loyalty and advocacy among our existing guests.

*Innovation.* Golf as a sport and form of entertainment continues to transform. We believe innovation is at the essence of creating the modernized, broadly appealing golf and entertainment experience. We strive to innovate across all our offerings including technology powered golf games, food and beverage menu offerings, and venue formats.

*Technology.* Our Drive Shack venues are equipped with radar-based TrackMan™ technology, which provides precision ball tracking, in real time, affording us the ability to bring our augmented reality gaming to the next level.

Our proprietary gaming software provides us with the unique ability to develop and release cutting edge, fun and engaging games. In addition to games, our partnership with TrackMan™ provides our guests with access to an extensive portfolio of world-famous virtual golf courses. These games and virtual golf courses are suitable for all skill sets and competitive appetites.

*Elevated Food & Beverage.* Our venues feature chef-inspired food offerings alongside inventive craft cocktails. Our menus feature a curated selection of shareable food options, further enabling the socializing nature of our venues. They are designed and tailored to consumer preferences and lifestyle trends, offering unique flavors, and high-quality fresh ingredients to create a premium selection of options to appeal to our broad range of guests.

Alongside our food menu, we have a beverage offering that features a variety of beers, craft cocktails, non-alcoholic cocktails, canned wine and seltzers, and premium spirits. Our beer selection consists of local and regional craft beers and varies by venue locations. In certain locations, we have partnerships with local breweries which source and produce exclusive beverages in both our Drive Shack and Puttery venues.

We periodically rollout new seasonal or limited time offerings, to supplement our core menu and give our guests more reasons to keep coming back as well as attract new guests.

*Events.* Our venues provide an electric atmosphere for experiential event options spanning corporate events to social gatherings. Each Drive Shack venue features climate-controlled bays, 300-plus television screens, a rooftop terrace with fire pits, and private indoor and outdoor meeting spaces fully equipped with A/V technology and wi-fi, that can accommodate a variety of group sizes up to 1,200 guests. Our Puttery venues have dedicated VIP event spaces as well as other areas throughout each venue, such as lounge areas and outdoor patios.

- **Site selection, development, and the experience**

*Site Selection.* Our site selection process is integral to the successful execution of our growth strategy and integrates a variety of analytical measures with an evaluation of key factors of the overall quality and viability of potential sites. These factors include but are not limited to size and quality of land and existing real estate space; population demographics, such as target population density, age, and household income levels; competition levels in the market; site visibility, accessibility and traffic volume; proximity to other entertainment facilities, restaurants and bars; and market or landlord incentives.

*Venue Development.* Our Drive Shack venue formats are generally open-air 60,000 square foot venues on average built on approximately 12 to 15 acres of land. This format features 72 to 96 climate-controlled bays with lounge seating and an approximately 200 yard outfield. The total investment cost of a new Drive Shack venue ranges from \$25 to \$40 million. We may either enter into a long-term ground lease or purchase the land for our Drive Shack venue format. The average development time for our large format Drive Shack venue is 18 to 24 months.

Our Puttery venues average between 15,000 to 20,000 square feet of existing indoor space. These venues each feature anywhere from two to four uniquely themed nine-hole courses, depending on venue size and layout. The total investment cost of a Puttery venue is expected to range from \$8 to \$12 million, exclusive of landlord incentives. We believe the development timeline for a Puttery venue averages six to nine months and will vary based on the unique layout of each venue.

On occasion, we expect that our various venue formats may be smaller or larger or cost more or less than our targeted range, depending on the specific circumstances of the selected site or market.

*Transcending the Experience.* We look to create meaningful and memorable experiences by combining world class golf technology, great drinks, delicious food and welcoming environments. Our Drive Shack venues are organized and designed to spread and amplify guest energy and revolutionize the golf and competitive socializing experience. We encourage guest interaction with other guests by way of carefully placed bars and lounges, social event areas, outdoor patios and climate-controlled bays. The lighting, finishes and furniture are contemporary yet comfortable and are purposely organized for group interaction and a social atmosphere. Whether a golfer or not we want everyone to feel comfortable experiencing our version of golf.

Our new Puttery venues consist of exciting mini-golf and leisure spaces with social interaction in mind, character-filled with innovative interior designs (including course themes consisting of libraries, lodges, redwood forests and cityscape rooftops). Each location is customized to create unique ways to socialize with friends for a night out, have drinks with colleagues or meet new people. These bar forward mini-golf spaces blend vintage putting with upscale casual lifestyle through the strategic placement of the lounges, bars, courses, and VIP spaces within each venue. The courses are intimate, transformative and designed specifically to keep guests connected and socializing while playing enhanced mini golf. Beverage and food opportunities are plentiful with multiple bars and a full-service kitchen. Our lounge furniture and finishes are all created with a comfortable yet upscale experience.

## **Marketing**

- **Growing Brand Awareness**



Continuing to build and grow brand awareness is a top priority. Our strategy consists of multiple layers, which includes local and national data and demographic profiles to identify interests and behaviors, competitors and consumption habits of our target consumers.

- **Embracing Local Communities**

*Local Partnerships.* Each Drive Shack venue prides itself on forging bonds with local partners in the community. For example, our Drive Shack location in Richmond partnered with a local brewery to create an exclusive premium beer for our venue, while our Drive Shack location in Raleigh has partnered with a local female-owned brewery. We have also collaborated with a local specialty ice cream shop to create a new scratch rendition of the classic ice cream sandwich inspired by Arnold Palmer, called the Chilly Palmer. We plan to continue to explore local partnerships and collaborations that may vary by venue and geographic location.

- **Customized Programming and Promotions**

*Unique Programs.* Our guest experience is enhanced by ongoing events and programs designed to engage a range of guest desires, including quarterly Social Leagues and Summer Swing Academy, which introduces young kids to golf in a fun, relaxed environment. Intended to drive new and repeat guests to our venues, we feature Limited Time Offers ("LTOs") that are generally rolled out on a quarterly basis. The LTOs typically include three new food and three new beverage offerings that have been created and inspired by our talented chefs in each of our Drive Shack venues.

We also have designed programming around seasonal events, including March Madness, National Beer Day, and Easter, with our family themed Easter Egg Hunt. We continually innovate new ways for guests to compete within the venue, such as our new, repeatable tournament model, Drive Shack Open, for use at our large format entertainment venues. The Drive Shack Open is geared towards more competitive, avid golfers and is structured as a single-day tournament, with four-person teams, a team entry fee and prizes awarded to teams based on scores. In December 2020, we debuted our first Drive Shack Open tournament, which sold out in advance of the tournament, and we have continued Drive Shack Open through 2024. We have also developed an in-venue tournament model, Monster Hunt Challenge, that is geared towards less serious players and non-golfers. The Monster Hunt Challenge is structured as a 4-week tournament model built specifically for competition with "high score" tournament mentality for both groups and solo players, with unlimited entries at a low cost per entry fee and prizes awarded based on highest score.

## **Intellectual Property**

We have registered the trademarks Drive Shack®, Puttery® and American Golf® and their primary logos have registered or applied to register certain additional trademarks with the United States Patent and Trademark Office and in various foreign countries. We consider our trade names and our logos to be important features of our operations and seek to actively monitor and protect our interest in this property in the various jurisdictions where we operate. We also have certain trade secrets, such as our recipes, processes, proprietary information and certain software programs that we protect by requiring all of our employees to accept an agreement to keep trade secrets confidential in connection with their onboarding process.

## **Management Agreement**

On March 31st, 2025, the company entered into a management agreement with an entity controlled by Wesley Edens, our manager (the "Management Agreement"), pursuant to which our Manager provides for a management team and other professionals who are responsible for implementing our business strategy, subject to the supervision of our board of directors. Our Manager is responsible for, among other things, (i) administering the day-to-day operations, (ii) providing executive personnel, office space and office services required in rendering executive management services, (iii) providing financial and

accounting management services and (iv) making recommendations to the Company in connection with the purchase, financing, investment in and development of and commitment to purchase, finance, invest in and develop, assets, including real estate and other assets relating to entertainment golf and traditional golf, and in connection with the sale and commitment to sell exchange or otherwise dispose of any such assets, and performing other duties as specified in the Management Agreement.

The Management Agreement provides for a ten-year term with one ten-year renewal term retroactive to January 1st, 2024. Our independent directors reviews our Manager's performance annually and the Management Agreement may be terminated annually upon the affirmative vote of at least majority of our independent directors, or by a vote of the holders of a majority of the outstanding shares of our common stock, based upon unsatisfactory performance that is materially detrimental to us or a determination by our independent directors that the management fee earned by our Manager is not fair, subject to our Manager's right to prevent such a management fee compensation termination by accepting a mutually acceptable reduction of fees. Our Manager must be provided with 60 days' prior notice of any such termination and would be paid a termination fee equal to the amount of the management fee earned by our Manager during the twenty-four month period preceding such termination, which may make it difficult and costly for us to terminate the management agreement. In addition, the Management Agreement may be terminated by us at any time for cause.

### **Policies with Respect to Certain Other Activities**

Subject to the approval of our board of directors, we have the authority to offer our common stock or other equity or debt securities to raise cash financing, in exchange for property and to repurchase or otherwise reacquire our shares or any other securities and may engage in such activities in the future. We also may make loans to, or provide guarantees of certain obligations of, our subsidiaries. We may engage in the purchase and sale of investments. Our officers and directors may change any of these policies and any investment guidelines without a vote of our stockholders. Our board of directors has the authority, without stockholder approval, to issue additional common stock or preferred stock in any manner and on such terms and for such consideration it deems appropriate, including in exchange for cash or property.

### **Competition**

We operate in a highly competitive industry and compete primarily on the basis of location, featured facilities, quality and breadth of product offerings and price. As a result, competition for market share in the industry in which we compete is significant.

Our entertainment golf business competes with restaurants, dining and social clubs and other entertainment attractions including movie theaters, sporting events, bowling alleys, sports activity centers, arcades and entertainment centers, nightclubs and theme parks.

Our traditional golf properties compete on a local and regional level with other country clubs and golf properties. The level of competition in the traditional golf business varies from region to region and is subject to change as existing facilities are renovated or new facilities are developed.

For more information about the competition we face generally and in our entertainment and traditional golf businesses specifically, see Part I, Item 1A. "Risk Factors-Risks Related to Our Business-Competition in the industry in which we operate could have a material adverse effect on our business and results of operations."

### **Seasonality**

Seasonality can affect our results of operations. Our traditional golf business is subject to seasonal fluctuations as colder temperatures and shorter days reduce the demand for outdoor activities. As a result, the traditional golf business generates a disproportionate share of its annual revenue in the second and third quarters of each year. In addition, our Drive Shack and Puttery venues could be significantly impacted on a season-to-season basis, based on corporate event and social gathering volumes during holiday seasons and school vacation schedules. For this reason, a quarter-to-quarter comparison may not be a good indicator of our current and/or future performance.

### **Government Regulation of Our Business**

Our properties and operations are subject to a number of environmental laws. As a result, we may be required to incur costs to comply with the requirements of these laws, such as those relating to water resources, discharges to air, water and land, the handling and disposal of solid and hazardous waste and the cleanup of properties affected by regulated materials. Under these and other environmental requirements, we may be required to investigate and clean up hazardous or toxic substances or chemical releases from currently owned, formerly owned or operated facilities.

Environmental laws typically impose cleanup responsibility and liability on a property owner without regard to whether the property owner knew of or caused the presence of the contaminants. We may use certain substances and generate certain wastes that may be deemed hazardous or toxic under such laws, and from time to time have incurred, and in the future may incur, costs related to cleaning up contamination resulting from historic uses by us or by previous owners of certain of our current or former properties or our treatment, storage or disposal of wastes at facilities owned by others. Our facilities are also subject to risks associated with mold, asbestos and other indoor building contaminants. The costs of investigation, remediation or removal of regulated materials may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use, transfer or obtain financing for our property. We may be required to incur costs to remediate potential environmental hazards, mitigate environmental risks in the future, or comply with other environmental laws and regulations.

In addition, in order to build, improve, upgrade or expand some of our facilities, we may be subject to environmental review under the National Environmental Policy Act and, for projects in California, the California Environmental Quality Act. Both acts require that a specified government agency study any proposal for potential environmental impacts and include in its analysis various alternatives. Any improvement proposal may not be approved or may be approved with modifications that substantially increase the cost or decrease the desirability of implementing the project.

We are also subject to regulation by the United States Occupational Safety and Health Administration and similar health and safety laws in other jurisdictions. These regulations impact a number of aspects of operations, including golf course maintenance and food handling and preparation.

The ownership and operation of our facilities subjects us to federal, state and local laws regulating zoning, land development, land use, building design and construction, and other real estate-related laws and regulations.

Our facilities and operations are subject to the Americans with Disabilities Act of 1990, as amended by the ADA Amendments Act of 2008, which we refer to in this Annual Report as the ADA. The ADA generally requires that we remove architectural barriers when readily achievable so that our facilities are made accessible to people with disabilities. In addition, the ADA Amendments Act of 2008, included additional compliance requirements for golf facilities and recreational areas. Noncompliance could result in imposition of fines or an award of damages to private litigants. Federal legislation or regulations may further amend the ADA to impose more stringent requirements with which we would have to comply.

We are also subject to various local, state and federal laws, regulations and administrative practices affecting our business. For instance, we must comply with provisions regulating equal employment, wage and hour practices and licensing requirements and regulations for the sale of food and alcoholic beverages.

## **Human Capital Management**

### *Entertainment Golf*

As of December 31, 2024, there were approximately 1,131 employees in our entertainment golf segment including: 1,048 hourly venue employees, and 73 venue managers.

### *Traditional golf*

As of December 31, 2024, there were approximately 2,310 employees in our traditional golf segment: 2,109 hourly course employees, and 201 course managers.

### *Corporate*

As of December 31, 2024, there were 10 employees in our corporate segment.

The number of Company employees represented by unions is zero. We believe our current relations with our employees are good. While the Company has not adopted any systematic human capital metrics, management focuses on fostering diversity including gender diversity in the executive suite and the Company conducts training on respectful workplace practices for its employees on a regular basis. The Company also employs safety management resources internally in order to ensure safety in our traditional golf and entertainment.

## **Corporate Governance**

We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors under the OTCMKTS listing standards. The Audit, Compensation and Nominating and Corporate Governance Committees of our board of directors are composed exclusively of independent directors. We have adopted corporate governance guidelines and a code of business conduct and ethics, which delineate our standards for our directors, officers and employees.

## **Available Information**

We make available through our website annual, quarterly and current reports, proxy statements and other documents through our website, <http://ir.driveshack.com>, and by posting them to [otcmkts.com/DSHK/disclosure](http://otcmkts.com/DSHK/disclosure). Also posted on our website in the "Investor Relations-Corporate Governance" section are charters for the Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, as well as our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report.

## Item 1A. Risk Factors

*An investment in our common stock involves risk and uncertainties. In addition to the information contained elsewhere in this Annual Report, the information posted on our website <http://ir.driveshack.com>, and on [otcmarkets.com/DSHK/disclosure](http://otcmarkets.com/DSHK/disclosure), the following risk factors should be carefully considered in evaluating our business or making an investment decision involving our common stock. The occurrence or manifestation in whole or in part of any of the following risks could harm our business, financial conditions and results of operations, cash flows and/or the trading price of our common stock. In addition, our actual performance could differ materially from any results expressed or implied by forward-looking statements contained in this Annual Report, the information posted on our website [IR site] and other filings that we make with the [OTCQX] and other communications by us, both written and oral, depending on a variety of factors, including the risks and uncertainties described below. Our business is also subject to general risks and uncertainties that affect many other companies, including, but not limited to, overall economic and industry conditions, and additional risks and uncertainties that are currently not known or we believe are immaterial may also have a material negative impact on our business, financial condition and results of operations.*

### Risks Related to Our Business and Industry

***We have opened ten Puttery venues. There can be no assurance that the Puttery venues will open or operate as expected.***

We opened two Puttery venues in 2021, three Puttery venues in 2022, three Puttery venues in 2023, and two Puttery venues in 2024. We intend to continue to expand the number of Puttery venues. This plan depends on the completion of construction of additional locations, all of which remain in various stages of planning or process and may not occur on the timelines that we expect. Following the execution of any leases, we have in the past terminated, and may in the future terminate, such leases for various reasons prior to the construction or opening of the venue, which could delay our plans. In addition, we have in the past replaced or repaired and may in the future replace or repair the technology at our various venues which could further delay our plans. For example in 2019, we closed our Orlando location for approximately one month in order to install our TrackMan™ radar-based system, replacing our older technology. In the past, the construction time of our existing Drive Shack locations has exceeded our expected build timelines. For instance, our Orlando location opened approximately one month later than we had projected. If we are unable to develop and open the Puttery venues as expected, or, when and if opened, they do not accomplish the goals described herein, or if we experience delays or cost overruns in development, our business, operating results, cash flows, ability to obtain financing and liquidity could be materially and adversely affected.

We may experience time delays, unforeseen expenses, licensing and municipal approval delays and other complications while developing the Puttery venues as well as supply chain disruptions. These complications can delay the commencement of revenue-generating activities, reduce the amount of revenue we earn and increase our costs. Delays in development beyond our estimated timelines, or amendments or change orders to development contracts we have entered into and will enter into in the future, could increase the cost of completion beyond the amounts that we estimate. Increased costs could require us to obtain additional sources of financing to continue development on our estimated development timeline or to fund our operations during such development. Any delay in completion of a Puttery venue could cause a delay in the receipt of revenues estimated therefrom. As a result of any one of these factors, any significant development delay, whatever the cause, could have a material adverse effect on our business, operating results, cash flows and liquidity.

***The amount of revenue we generate at our venues may decrease in connection with changes in consumer spending patterns, particularly discretionary expenditures for leisure and recreation.***

Consumer spending patterns, particularly discretionary expenditures for leisure and recreation, are subject to factors beyond our control. Should consumers decrease their discretionary spending in general, and in particular on leisure and entertainment, our revenues could decline and our operating margins could decrease, either of which would adversely affect our business. In general, economic recessions or downturns, increased unemployment, low consumer confidence and outlook, and depressed

housing markets could cause a decrease in discretionary spending among our customers and potential customers. In addition, because we generate revenues at physical locations that require our customers to travel, consumer spending could also be impacted in a way that is material for our business as a result of war, terrorist activities or threats and heightened travel security measures instituted in response to these events and the financial condition of the airline, automotive and other transportation-related industries and its impact on travel, gasoline prices and natural disasters, such as earthquakes, tornadoes, hurricanes, wildfires, blizzards, droughts and floods and outbreaks of epidemic, pandemic or influenza, coronavirus and other contagious diseases afflicting the geographic regions in which we operate. These factors and other global, national and regional conditions can adversely affect, and from time to time have adversely affected, individual properties, particular regions or our business as a whole. Any one or more of these factors could negatively affect the sales volume and profitability of our services, food and beverages at our Entertainment Golf venues and Traditional Golf properties, and rounds played at our Traditional Golf properties. In addition, in the case of our traditional golf venues, during such periods of adverse economic conditions, we may experience increased rates of resignations of existing members, a decrease in the rate of new member enrollment, a decrease in golf rounds played or reduced spending, any of which may result in, among other things, financial losses and decreased revenues.

***We have incurred, and may in the future incur, debt financing.***

On an ongoing basis, we engage with lenders and other financial institutions in an effort to improve our liquidity and capital resources. If we incur additional debt and other obligations, the risks associated with our substantial leverage and the ability to service such debt would increase, which could have a material adverse effect on our business, results of operation and financial condition.

In March 2023, we established a five-year senior secured delayed draw term loan facility in an aggregate principal amount of \$26.5 million (the “Facility”) at our Entertainment Golf segment. In October 2024, the Company completed full repayment of the principal amount.

***Our business may be materially and adversely affected by our inability to fund, develop and open new entertainment venues and operate them profitably, and our focus in 2024 was on cost rationalizing our lines of business instead of expansion.***

Our focus in 2024 was cost rationalization across our business units. As a result, we do not expect near-term growth to occur in the Puttery or Drive Shack lines of business in 2025. Further growth will depend on a development strategy that includes pipeline expansion, and we cannot provide assurances that we will adopt this strategy going forward. To the extent our business strategy relies on our ability to develop and open new golf entertainment venues, opening new venues requires us to construct our venues in compliance with applicable zoning, licensing, land use and environmental regulations and finance our development, construction and opening costs. Thus, there can be no assurance that we will successfully open new Puttery venues in accordance with the timing and cost assumptions inherent in our strategic plan. In addition, if the construction and compliance costs of any venue exceeds our budgeted estimates, our expected return on investment would be diminished, which could increase our cost of capital relative to returns and slow our growth strategy or ability to fund it.

In order to operate venues profitably, we must maintain efficient levels of costs, including hiring, training and retaining skilled management and other employees necessary to meet staffing needs and in procuring and pricing our products, including bay-play and food and beverages. Our failure to staff our venues on a cost-effective basis or set appropriate pricing levels creates the risk of diminished operating margins at the venue level. In addition, if we do not successfully attract consumers to our venue, or if they suffer a negative customer experience, we are at risk of not generating adequate revenues to create a favorable margin over our operating costs. Factors that could inhibit our ability to attract consumers to our venues include competition from other food and leisure venues, poor customer service at our venues and technological failures in our consumer-facing technology. Thus, there can be no assurance that we will achieve profitability at any individual venue, which could have a significant adverse effect on our overall operating results.

***We have a limited operating history at our Drive Shack and Puttery venues, which may not be sufficient to evaluate our business and prospects.***

A number of our entertainment golf venues are, and in the future others will be, located in areas where we have little or no meaningful operating experience. Those markets may have different competitive conditions, local regulatory requirements, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new venues to be less successful than we expect. As a result, our prior operating history and historical financial statements may not be a reliable basis for evaluating our business prospects or the future value of our shares. Our strategy may not be successful, and if unsuccessful, we may be unable to modify it in a timely and successful manner. We cannot give you any assurance that we will be able to implement our strategy on a timely basis, if at all, or achieve our internal model or that our assumptions will be accurate. Our limited operating history also means that we continue to develop and implement various policies and procedures including those related to data privacy and other matters. We will need to continue to build our team to implement our strategies.

We will continue to incur significant capital and operating expenditures while we expand the geographic footprint of our business. We will need to invest significant amounts of additional capital to implement our strategy. Any delays beyond the expected development period for these assets would prolong, and could increase the level of, operating losses and negative operating cash flows. Our future liquidity may also be affected by the timing of financing availability in relation to the incurrence of construction costs and other outflows and by the timing of receipt of cash flows in relation to the incurrence of project and operating expenses. Our ability to generate any positive operating cash flow and achieve profitability in the future is dependent on, among other things, the successful expansion of our business.

***Our business is dependent upon obtaining substantial funding from various sources, which may not be available or may only be available on unfavorable terms.***

We may need to incur additional indebtedness to continue to develop our business,. If we are unable to secure additional funding, or amendments to existing financing, or if additional funding is only available on terms that we determine are not acceptable to us, we may be unable to fully execute our business plan or develop a growth strategy, and our business, financial condition or results of operations may be adversely affected. Additionally, we may need to adjust the timing of our planned capital expenditures and venue development depending on the availability of such additional funding. Our ability to raise additional capital will depend on financial, economic and market conditions, our progress in executing our business strategy and other factors, many of which are beyond our control. We cannot assure you that such additional funding will be available on acceptable terms, or at all. To the extent that we raise additional equity capital by issuing additional securities at any point in the future, our then-existing shareholders may experience dilution. Debt financing, if available, may subject us to restrictive covenants that could limit our flexibility in conducting future business activities and could result in us expending significant resources to service our obligations. If we are unable to comply with these covenants and service our debt, we may lose control of our business and be forced to reduce or delay planned investments or capital expenditures, sell assets, restructure our operations or submit to foreclosure proceedings, all of which could result in a material adverse effect upon our business.

A variety of factors beyond our control could impact the availability or cost of capital, including domestic or international economic conditions, increases in key benchmark interest rates and/or credit spreads, the adoption of new or amended banking or capital market laws or regulations, the re-pricing of market risks and volatility in capital and financial markets, risks relating to the credit risk of our customers and the jurisdictions in which we operate, as well as general risks applicable to the consumer discretionary spending sector.

***Competition in the industry in which we operate could have a material adverse effect on our business and results of operations.***

We operate in a highly competitive industry and compete primarily on the basis of reputation, featured facilities, location, quality and breadth of product offerings and price. As a result, competition for market share in the industry in which we compete is significant.

Each market in which we operate is highly competitive and includes competition on a local and regional level with restaurants, dining and social clubs and other entertainment attractions including movie theaters, sporting events, bowling alleys, sports activity centers, arcades and entertainment centers, nightclubs and theme parks. Many of the entities operating these businesses are larger and better capitalized, have a greater number of stores, have been in business longer and are better established with stronger name recognition in the markets where our entertainment golf venues are located or are planned to be located. As a result, they may be able to invest greater resources than we can in attracting customers and succeed in attracting customers who would otherwise come to our venues. The legalization of casino and sports gambling in geographic areas near any current or future venues would create the possibility for entertainment alternatives, which could have a material adverse effect on our business and financial condition. We also face competition from increasingly sophisticated home-based forms of entertainment, such as internet and video gaming and home movie streaming and delivery.

The number and variety of competitors in our business vary based on the location and setting of each facility, with some situated in intensely competitive upscale urban areas characterized by frequent innovations in the products and services offered by competing restaurants, dining and social clubs and other entertainment attractions. In addition, new restaurants and other social and meeting venues may open or expand their amenities. As a result, the supply in a given region may exceed the demand for such facilities, and any increase in the number or quality of restaurants and other social and meeting venues, or the products and services they provide, in such region could significantly impact the ability of our properties to attract and retain members, which could harm our business and results of operations.

Our traditional golf properties compete on a local and regional level with other country clubs and golf properties. The level of competition in the traditional golf business varies from region to region and is subject to change as existing facilities are renovated or new facilities are developed. An increase in the number or quality of similar clubs and other facilities in a particular region could significantly increase competition, which could have a negative impact on our business and results of operations. In addition, member-owned and individual privately-owned clubs may be able to create a perception of exclusivity that we have difficulty replicating given the diversity of our portfolio and the scope of our holdings.

***Our large workforce subjects us to risks associated with increases in the cost of labor as a result of increased competition for employees, higher employee turnover rates and required wage increases and health benefit coverage, lawsuits or labor union activity.***

Labor is one of our primary property-level operating expenses. We face the risks of labor shortages or increased labor costs because of increased competition for employees, higher employee turnover rates, or increases in the federal or state minimum wage or other employee benefit costs. For example, if the federal minimum wage were increased significantly, we would have to assess the financial impact on our operations as we have a large population of hourly employees. If labor-related expenses increase, our operating expense could increase in a manner that materially and adversely affects our operating margins and profitability.

We are subject to the Fair Labor Standards Act and various federal and state laws governing such matters as minimum wage requirements, gratuity policies, overtime compensation and other working conditions, citizenship requirements, discrimination and family and medical leave. In recent years, a number of companies have been subject to lawsuits, including class action lawsuits, alleging violations of federal and state law regarding workplace and employment matters, overtime wage policies, discrimination and similar matters. A number of these lawsuits have resulted in the payment of substantial damages by the



defendants. Similar lawsuits have been threatened or instituted against us from time to time, and we may incur substantial damages and expenses resulting from lawsuits of this type, which could have a material adverse effect on our business, financial condition or results of operations.

***Our operations are susceptible to changes in the availability and the cost of food, goods, rent, water, utilities, repairs, maintenance and taxes, which could reduce our operating margins and harm our business, financial condition and results of operations.***

Our most significant operating costs, other than labor, are our cost of goods, water, utilities, rent and property taxes. Many, and in some cases all, of the factors affecting these costs are beyond our control. Increases in operating costs due to inflation, commodity prices and other factors may not be directly offset by increased revenue. Our cost of goods such as food and beverage costs account for a significant portion of our total property-level operating expense in our Entertainment and traditional golf segments. If our cost of goods increased significantly and we are not able to pass along those increased costs to our customers or members in the form of higher prices or otherwise, our operating margins would decrease, which would have an adverse effect on our business, financial condition and results of operations.

In addition, rent accounts for a significant portion of our property-level operating expense. Significant increases in our rent costs would increase our operating expense and our business, financial condition and results of operations may be adversely impacted. The prices of utilities are volatile, and shortages sometimes occur. In particular, in the case of our traditional golf business, municipalities are increasingly placing restrictions on the use of water for golf course irrigation and increasing the cost of water. Significant increases in the cost of our utilities, or any shortages, could interrupt or curtail our operations and lower our operating margins, which could have a negative impact on our business, financial condition and results of operations.

Each of our properties is subject to real and personal property taxes. The real and personal property taxes on our properties may increase or decrease as tax rates change and as our properties are assessed or reassessed by taxing authorities. If real and personal property taxes increase, our financial condition and results of operations may be adversely impacted.

***We could be required to make material cash outlays in future periods if the number of initiation deposit refund requests we receive materially increases or if we are required to surrender unclaimed initiation deposits to state authorities under applicable escheatment laws.***

We may be required to make significant cash outlays in connection with initiation deposits at our traditional golf properties. Historically, members of our private properties were generally required to pay an initiation deposit upon their acceptance as a member and, in most cases, such deposits are fully refundable after a fixed number of years (typically thirty (30) years) and upon the occurrence of other contract-specific conditions, whether or not the applicable golf property has undergone a transfer of ownership since the time of the deposit. We may be subject to various states' escheatment laws with respect to initiation deposits that have not been refunded to members. All states have escheatment laws and generally require companies to remit to the state cash in an amount equal to unclaimed and abandoned property after a specified period of dormancy, which is typically three to five years. Moreover, most of the states in which we conduct business hire independent agents to conduct unclaimed and abandoned property audits. We currently do not remit to states any amounts relating to initiation deposits that are eligible to be refunded to members based upon our interpretation of the applicability of such laws to initiation fee deposits. The analysis of the potential application of escheatment laws to our initiation deposits is complex, involving an analysis of constitutional and statutory provisions and contractual and factual issues. While we do not believe that initiation deposits must be escheated, we may be forced to remit such amounts if we are challenged and fail to prevail in our position.

***We may not be able to retain members at our public and private traditional golf properties, and attract golf rounds played, which could have an adverse effect on our business, financial condition and results of operations.***

Our success depends on our ability to attract and retain members and other customers at our public and private traditional golf properties, attract golf rounds played and maintain or increase revenues generated from our traditional golf properties. Changes in consumer financial condition, leisure tastes and preferences, particularly those affecting the popularity of golf, and other social and demographic trends could adversely affect our business. Significant periods where attrition rates exceed enrollment rates or where facilities usage is below historical levels at our traditional golf properties would have a material adverse effect on our business, financial condition and results of operations. A portion of our member base may not regularly use our facilities and may be more likely to cancel their membership. Factors that could lead to a decrease in membership include a decline in our ability to deliver quality service at our current membership prices, a decrease in public interest in the sport of golf, and direct and indirect competition in our industry. If we cannot attract new members and other customers, retain our existing members and other customers, or maintain golf rounds played at our traditional golf properties, our financial condition and results of operations could be harmed.

***We have significant operations concentrated in certain geographic areas, and any disruption in the operations of our properties in any of these areas could harm our results of operations.***

As of December 31, 2024, we operated multiple traditional golf properties in several metropolitan areas, including over two dozen in the greater Los Angeles, California region. As a result, any prolonged disruption in the operations of our properties in any of these markets, whether due to technical difficulties, power failures or destruction or damage to the properties as a result of a natural disaster, such as hurricanes or earthquakes, fire or any other reason, could harm our results of operations or may result in property closures. In addition, some of the metropolitan areas where we operate properties could be disproportionately affected by regional economic conditions, such as declining home prices and rising unemployment. Concentration in these markets increases our exposure to adverse developments related to competition, as well as economic and demographic changes in these areas.

***Our results of operations in traditional golf are based on seasonality, and unusual weather patterns and extreme weather events, as well as forecasts of bad or mixed weather conditions or periodic and quasi-periodic weather patterns, could adversely affect the value of our golf courses or negatively impact our business and results of operations.***

Seasonality can affect our results of operations. Usage of traditional golf properties tends to decline significantly during the first and fourth quarters, when colder temperatures and shorter days reduce the demand for outdoor activities. As a result, we expect the traditional golf business to generate a greater share of its annual revenue in the second and third quarters of each year. Accordingly, our traditional golf business is especially vulnerable to events that may negatively impact its operations during the second and third quarters, when guest and member usage is highest. In addition, operations in the entertainment golf business could be significantly impacted on a season-to-season basis; including based on corporate events volume during holiday seasons and school vacation schedules. For this reason, a quarter-to-quarter comparison may not be a good indicator of our current and/or future performance.

Our businesses are subject to unusual weather patterns and extreme weather events, such as heavy rains, prolonged snow accumulations, high winds, extended heat waves and drought, which could negatively affect the income generated by our properties. Because our Drive Shack and traditional golf businesses are primarily or partially outdoors, attendance at our facilities could be adversely affected by forecasts of bad weather conditions since individuals may instead choose to participate in indoor activities.

The maintenance of satisfactory turf grass conditions on our traditional golf properties requires significant amounts of water. Our ability to irrigate a golf course could be adversely affected by a drought or other cause of water shortage, such as government imposed restrictions on water usage. Additionally, we may be subject to significant increases in the cost of water.

We have a concentration of traditional golf properties in states such as California and New York that experience periods of unusually hot, cold, dry or rainy weather. Unfavorable weather patterns in such states, or any other circumstance or event that causes a prolonged disruption in the operations of our properties in such states (including, without limitation, economic and demographic changes in these areas), could have an adverse impact on our traditional golf segment which is vulnerable to all these factors.

***Food safety incidents at our properties or in our industry or supply chain may adversely affect customer perception of our brands or industry and result in declines in sales and profits.***

We cannot guarantee that our supply chain and food safety controls and training will be fully effective in preventing all food safety issues at our properties and venues, including any occurrences of foodborne illnesses such as salmonella, E. coli, norovirus, or hepatitis A. Some foodborne illness incidents could be caused by third-party vendors and distributors outside of our control. New illnesses may develop resistance to our current precautions in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of our properties or related to food products we sell could negatively affect our sales nationwide if highly publicized on national media outlets or through social media. This risk exists even if it were later determined that the illness was wrongly attributed to us or one of our properties. Further, any instances of food contamination, whether or not at our facilities, could subject us or our suppliers to a food recall, including pursuant to regulations of the Food and Drug Administration under the Food Safety Modernization Act.

***Our insurance policies may not provide adequate levels of coverage against all claims and we may incur losses that are not covered by our insurance.***

There are certain types of losses, generally of a catastrophic nature, such as pandemics, earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property, if it is damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore our economic position with respect to the affected real property. For example, we may suffer losses from acts of terrorism that are not covered by insurance.

***The failure to comply with regulations applicable to our properties or the failure to retain licenses or permits relating to our properties may harm our business and results of operations.***

Our business is subject to extensive federal, state and local government regulation in the various jurisdictions in which our properties are located, including regulations relating to alcoholic beverage control, public health and safety, environmental hazards and food safety. Alcoholic beverage control regulations require each of our properties to obtain licenses and permits to sell alcoholic beverages on the premises. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. In some states, the loss of a license for cause with respect to one location may lead to the loss of licenses at all locations in that state and could make it more difficult to obtain additional licenses in that state. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of each venue, including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages.

The failure of a property to obtain or retain its licenses and permits would adversely affect that property's operations and profitability, as well as our ability to obtain such a license or permit in other locations. We may also be subject to dram shop statutes in certain states, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Even though we are covered by general

liability insurance, a settlement or judgment against us under a dram shop lawsuit in excess of liability coverage could have a material adverse effect on our operations. In addition, any of our locations located near airports must comply with land-use zoning ordinances related to the height of objects around airports, which are promulgated at the federal level based on advice and guidance published by the Federal Aviation Administration.

We are also subject to the Americans with Disabilities Act (the “ADA”) which, among other things, may require certain renovations to our facilities to comply with access and use requirements. A determination that we are not in compliance with the ADA or any other similar law or regulation could result in the imposition of fines or an award of damages to private litigants. While we believe we are operating in substantial compliance, and will continue to remove architectural barriers in our facilities when readily achievable, in accordance with current applicable laws and regulations, there can be no assurance that our expenses for compliance with these laws and regulations will not increase significantly and harm our business, financial condition and results of operations.

We are also subject to numerous other federal, state and local governmental regulations related to building and zoning requirements and the use and operation of clubs, including changes to building codes and fire and life safety codes, which can affect our ability to obtain and maintain licenses relating to our business and properties. If we were required to make substantial modifications at our properties to comply with these regulations or if we fail to comply with these regulations, our business, financial condition and results of operations could be negatively impacted.

***Our procurement of certain materials for developing, redeveloping or renovating our venues is dependent upon a few suppliers.***

Our ability to continue to procure certain materials is important to our business strategy for developing, redeveloping or renovating our venues. The number of suppliers from which we can purchase our materials is limited. In addition, the materials necessary to construct entertainment golf venues are subject to price fluctuation. To the extent that the number of suppliers declines, or the price of materials necessary to construct our entertainment golf venues increases, we could be subject to the risk increased capital expenditure costs, of distribution delays, pricing pressure, lack of innovation and other associated risks which could adversely affect our business, financial condition or results of operations.

***Changes in laws, regulations and other requirements could adversely affect our business, results of operations or financial condition.***

We are also subject to federal, state and local environmental laws, regulations and other requirements. More stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new venues in particular locations. Environmental laws and regulations also govern, among other things, discharges of pollutants into the air and water as well as the presence, handling, release and disposal of and exposure to hazardous substances. These laws provide for significant fines and penalties for noncompliance. Third parties may also make personal injury, property damage or other claims against us associated with actual or alleged release of, or exposure to, hazardous substances at our properties. We could also be strictly liable, without regard to fault, for certain environmental conditions at properties we formerly owned or operated as well as our current properties. The failure to receive or retain a liquor license, or any other required permit or license, in a particular location, or to continue to qualify for, or renew licenses, could have a material adverse effect on operations and our ability to obtain such a license or permit in other locations. In addition, changes in federal law relating to the height of objects around airports may interfere with the planned design, construction and operation of any of our entertainment golf venues located near airports.

***Lawsuits, investigations and indemnification claims could result in significant liabilities and reputational harm, which could materially adversely affect our results of operations, financial condition and liquidity.***

From time to time, we are and may become involved in lawsuits, inquiries or investigations or receive claims for indemnification. Our efforts to resolve any such lawsuits, inquiries, investigations or claims could be very expensive and highly damaging to our reputation, even if the underlying claims are without merit. We could potentially be found liable for significant damages or indemnification obligations. Such developments could have a material adverse effect on our business, results of operations and financial condition.

Our risk of litigation includes, but is not limited to, lawsuits that could be brought by users of our properties and property-level employees. For instance, we are subject to federal and state laws governing minimum wage requirements, overtime compensation, discrimination and family and medical leave. Any lawsuit alleging a violation of any such laws could result in a settlement or other resolution that requires us to make a substantial payment, which could have a material adverse effect on our financial condition and results of operations. In addition, accidents or injuries in connection with our properties could subject us to liability and reputational harm.

***A failure in our systems or infrastructure which maintain our internal and customer data, or those of our third-party service providers, including as a result of cyber-attacks, could result in faulty business decisions or harm to our reputation or subject us to costs, fines or lawsuits.***

Certain information relating to our members and guests, including personally identifiable information and credit card numbers, is collected and maintained by us, or by third-parties that do business with us or facilitate our business activities. This information is maintained for a period of time for various business purposes, including maintaining records of member and guest preferences to enhance our customer service and for billing, marketing and promotional purposes. We also maintain personally identifiable information about our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our members and guests and our employees expect that we will adequately protect their personal information, and the regulations applicable to security and privacy are increasingly demanding. Privacy regulation is an evolving area and compliance with applicable privacy regulations may increase our operating costs or adversely impact our ability to service our members and guests and market our properties and services.

While we have cyber security procedures and related insurance coverage in place, given the evolving nature of these threats, there can be no assurance that we will not suffer material losses in the future due to cyber-attacks or other systems or infrastructure failures. The theft, loss, misappropriation, fraudulent or unlawful use of customer, employee or company data, including in connection with one or more cyber-attacks on us or one of our third-party providers, could harm our reputation, result in loss of members or business disruption or result in remedial and other costs, fines or lawsuits. In addition, non-compliance with applicable privacy regulations by us (or in some circumstances non-compliance by third-parties engaged by us) could result in fines or restrictions on our use or transfer of data. Any of these matters could adversely affect our business, financial condition or results of operations.

***We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.***

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and maintenance of records, which in the case of our business, may include personal identifying information. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing this confidential information, such as individually identifiable information relating to financial accounts. Although we have taken steps to protect the security of the data maintained in our information systems, it is possible that our security measures will not be able to prevent the systems' improper functioning, or the improper disclosure of personally identifiable information such as in the event

of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could materially and adversely affect our business, financial condition and results of operations. If our incident response and disaster recovery plans do not resolve these issues in an efficient manner, remediation of these problems could result in significant, unexpected capital expenditures.

***Our investments may be subject to significant impairment charges, which would adversely affect our results of operations.***

We are required to periodically evaluate our investments for impairment indicators. The value of an investment is impaired when our analysis indicates that, with respect to a loan, it is probable that we will not be able to collect the full amount we intended to collect from the loan or, with respect to a security or property, it is probable that the value of the security or property is other than temporarily impaired. The judgment regarding the existence of impairment indicators is based on a variety of factors depending upon the nature of the investment and the manner in which the income related to such investment was calculated for purposes of our financial statements. If we determine that an impairment has occurred, we are required to make an adjustment to the net carrying value of the investment and the amount of accrued interest recognized as income from such investment, which could have a material adverse effect on our results of operations.

#### **Risks Related to Our Stock**

***We may be unable—or elect not—to pay dividends on our common or preferred stock in the future, which would negatively impact our business in a number of ways and decrease the price of our common and preferred stock.***

All future dividend distributions will be made at the discretion of our board of directors and will depend upon, among other things, our earnings, investment strategy, financial condition and liquidity, and such other factors as the board of directors deems relevant. No assurance can be given that we will pay any dividends on our common stock in the future.

We currently have unpaid accrued dividends on our preferred stock. So long as dividends remain accrued and not paid on our preferred stock, the terms of our preferred stock prohibit us from paying any dividends on our common stock, from repurchasing or otherwise acquiring shares of our common stock and from redeeming any shares of any series of our preferred stock without redeeming all of our outstanding preferred shares. If we do not pay dividends on any series of preferred stock for six or more periods, then holders of each affected series obtain the right to call a special meeting and elect two members to our board of directors. We cannot predict whether the holders of our preferred stock would take such action or, if taken, how long the process would take or what impact the two new directors on our board of directors would have on our company, including with respect to the management of our business.

***Maryland takeover statutes may prevent a change of our control, which could depress our stock price.***

Under Maryland law, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include certain mergers, consolidations, share exchanges, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities or a liquidation or dissolution. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation’s outstanding shares; or

- an affiliate or associate of a corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he or she otherwise would have become an interested stockholder.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation voting together as a single group; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder voting together as a single voting group.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer, including potential acquisitions that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

***Our staggered board and other provisions of our charter and bylaws may prevent a change in our control.***

Our board of directors is divided into three classes of directors. Directors of each class are chosen for three-year terms upon the expiration of their current terms, and each year one class of directors is elected by the stockholders. The staggered terms of our directors may reduce the possibility of a tender offer or an attempt at a change in control, even though a tender offer or change in control might be in the best interest of our stockholders. In addition, our charter and bylaws also contain other provisions that may delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our charter authorizes us to issue additional authorized but unissued shares of our common stock or preferred stock. In addition, our board of directors may classify or reclassify any unissued shares of our common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a series of preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

**Risks Related to the Manager**

***We are dependent on our Manager and may not find a suitable replacement if our Manager terminates the management agreement.***

None of the members of the executive committee who perform services for us is an employee of the Company. Instead, these individuals are employees of our Manager. Accordingly, we are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and strategies, to conduct our business. Furthermore, we are dependent on the services of certain key employees of our Manager whose compensation is partially dependent upon the amount of incentive or management compensation earned by our Manager and whose continued service is not guaranteed, and the loss of such services could adversely affect our operations. We are subject to the risk that our Manager will terminate the management agreement and that we will not be able to find a suitable replacement for our Manager in a timely manner,

at a reasonable cost or at all. We may also be adversely affected by operational risks, including cyber security attacks, that could disrupt our Manager's financial, accounting and other data processing systems.

***There are conflicts of interest in our relationship with our Manager.***

There are conflicts of interest inherent in our relationship with our Manager. Actual, potential or perceived conflicts have given, and may in the future give, rise to investor dissatisfaction, litigation or regulatory inquiries or enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our common and preferred securities and a resulting increased risk of litigation and regulatory enforcement actions.

Our management agreement with our Manager was not negotiated between unaffiliated parties, and its terms, including fees payable, although approved by our independent directors as fair, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. Our management agreement, does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that make investments that meet our investment objectives. Entities managed by our Manager or its affiliates—including investment funds, private investment funds, or businesses managed by our Manager—have investment objectives that overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. These entities may invest in assets that meet our investment objectives, including real estate securities, real estate related and other loans, and other operating real estate, and other assets. Our Manager or its affiliates may have investments in and/or earn fees from such other investment vehicles that are higher than their economic interests in us and which may therefore create an incentive to allocate investments to such other investment vehicles. Our Manager or its affiliates may determine, in their discretion, to make a particular investment through an investment vehicle other than us and have no obligation to offer to us the opportunity to participate in any particular investment opportunity.

Our chairman and interim chief executive officer are officers of our Manager. Certain employees of our Manager who perform services for us also may serve as officers and/or directors of these other entities. The ability of our Manager and its officers and employees to engage in other business activities may reduce the amount of time our Manager, its officers or other employees spend managing us.

Our management agreement, does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that make investments that meet our investment objectives. Our Manager or its affiliates have and may in the future raise, acquire or manage investment vehicles that are entitled to a priority or exclusive right to invest in certain types of assets. If such an investment vehicle exists, that vehicle's exclusivity would prevent us from investing in that assets over which the investment vehicle has exclusivity because we do not have the exclusive right to invest in any particular type of asset. This dynamic may reduce the type of assets in which we are able to invest.

Our Manager is entitled to receive incentive compensation based in part upon our achievement above a targeted level of EBITDA from operations (as defined in the management agreement). In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on funds from operations or, in the case of any future incentive compensation arrangement, other financial measures on which incentive compensation may be based, may lead our Manager to place undue emphasis on the maximization of such measures at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation.

***It would be difficult and costly to terminate our management agreement with our Manager.***



It would be difficult and costly for us to terminate our management agreement with our Manager. The management agreement may only be terminated annually upon (i) the affirmative vote of at least a majority of our independent directors, or by a vote of the holders of a simple majority of the outstanding shares of our common stock, that there has been unsatisfactory performance by our Manager that is materially detrimental to us or (ii) a determination by a simple majority of our independent directors that the management fee payable to our Manager is not fair, subject to our Manager's right to prevent such a termination by accepting a mutually acceptable reduction of fees. Our Manager will be provided 60 days' prior notice of any such termination and will be paid a termination fee equal to the amount of the management fee earned by the Manager during the 24-month period preceding such termination.

***Our Manager will not be liable to us for any acts or omissions performed in accordance with the management agreement.***

Pursuant to our management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Under the terms of our management agreement, our Manager, its officers, partners, members, managers, directors, personnel, other agents, any person controlling or controlled by our Manager and any person providing sub-advisory services to our Manager will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to our management agreement, except because of acts constituting bad faith, willful misconduct or gross negligence, as determined by a final non-appealable order of a court of competent jurisdiction. In addition, we have agreed to indemnify our Manager, its officers, partners, members, managers, directors, personnel, other agents, any person controlling or controlled by our Manager and any person providing sub-advisory services to our Manager with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct or gross negligence, pursuant to our management agreement.

***Our Manager's due diligence of investment opportunities or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.***

Our Manager intends to conduct due diligence with respect to each investment opportunity or other transaction it pursues. It is possible, however, that our Manager's due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the investment and will rely on information provided by the target of the investment. In addition, if investment opportunities are scarce, the process for selecting bidders is competitive, or the time-frame in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove not to be over time due to the limitations of the due diligence process or other factors.

## Item 2. Properties.

We lease our principal office in Dallas, TX. We also lease a corporate office in New York, NY that previously supported our entertainment golf business, which is currently subleased to a subtenant. As of December 31, 2023, our New York offices were subleased for the remaining term of the lease through August 2026 and we had ceased using the El Segundo offices which were used for our traditional golf segment and remained unused until lease expiration in May 2022.

### *Entertainment Golf Venues*

As of December 31, 2024, we operate four Drive Shack and ten Puttery venues as shown in the following table by location, category and number of bays, as applicable.

Venue	City	State	Category	# of Bays
Drive Shack	Orlando	FL	Leased	90
Drive Shack	Raleigh	NC	Owned	96
Drive Shack	Richmond	VA	Leased	96
Drive Shack	West Palm Beach	FL	Leased	96
Puttery	Charlotte	NC	Leased	N/A
Puttery	Chicago	IL	Leased	N/A
Puttery	Houston	TX	Leased	N/A
Puttery	The Colony	TX	Leased	N/A
Puttery	Washington	DC	Leased	N/A
Puttery	Pittsburgh	PA	Leased	N/A
Puttery	Kansas City	MO	Leased	N/A
Puttery	Minneapolis	MN	Leased	N/A
Puttery	Miami	FL	Leased	N/A
Puttery	New York City	NY	Leased	N/A

The Company opened the Puttery venue in Miami, Florida in January 2024 and in New York City, New York in March 2024.

### *Traditional Golf Properties*

As of December 31, 2024, we own, lease or manage forty-two (42) traditional golf properties located in seven (7) states, as shown in the following table by location, category and number of golf holes.

#### *Owned Properties*

Property Name	City	State	Category	Golf Holes
Tanoan	Albuquerque	NM	Private	27

### Leased Properties

Property Name	City	State	Category	Golf Holes
Alondra	Lawndale	CA	Public	36
Chester Washington	Los Angeles	CA	Public	18
Coyote Hills	Fullerton	CA	Public	18
Diamond Bar	Diamond Bar	CA	Public	18
Don Knabe	Norwalk	CA	Public	9
Dyker Beach	Brooklyn	NY	Public	18
El Dorado	Long Beach	CA	Public	18
Heartwell	Long Beach	CA	Public	18
Knollwood	Granada Hills	CA	Public	18
La Mirada	La Mirada	CA	Public	18
Lake Forest	Lake Forest	CA	Public	9
Lake Tahoe	S. Lake Tahoe	CA	Public	18
Lakewood	Lakewood	CA	Public	18
Lely	Naples	FL	Private	54
Los Coyotes	Buena Park	CA	Private	27
Los Verdes	Rancho PV	CA	Public	18
Marshall Canyon	La Verne	CA	Public	18
Mission Trails	San Diego	CA	Public	18
Mountain Meadows	Pomona	CA	Public	18
MountainGate	Los Angeles	CA	Private	27
National City	National City	CA	Public	9
Pelham Split Rock	Bronx	NY	Public	36
Recreation Park 18	Long Beach	CA	Public	18
Recreation Park 9	Long Beach	CA	Public	9
San Dimas	San Dimas	CA	Public	18
Saticoy	Ventura	CA	Public	9
Scholl Canyon	Glendale	CA	Public	18
Skylinks	Long Beach	CA	Public	18
Tecolote Canyon	San Diego	CA	Public	18
Vineyard at Escondido	Escondido	CA	Public	18
Waterview	Rowlett	TX	Public	18
Whittier Narrows	Rosemead	CA	Public	27

The leases for three public courses expired and were not renewed on January 15, 2024.

### *Managed Properties*

Property Name	City	State	Category	Golf Holes
Anaheim Hills	Anaheim	CA	Public	18
Dad Miller	Anaheim	CA	Public	18
Fullerton	Fullerton	CA	Public	18
Lomas Santa Fe (Executive)	Solana Beach	CA	Public	18
Monarch Bay	San Leandro	CA	Public	27
Oso Creek	Mission Viejo	CA	Public	18
Rancho San Joaquin	Irvine	CA	Public	18
River Ridge	Oxnard	CA	Public	36
Westchester	Los Angeles	CA	Public	18

The management contracts for nine private locations expired on December 31, 2023 and were not renewed. The management contract for one public location expired on June 30, 2024 and was not renewed.

We maintain our properties in good condition and believe that our current facilities are adequate to meet the present needs of our business. We do not believe any individual property is material to our financial condition or results of operations.

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

We are and may become involved in legal proceedings, including but not limited to regulatory investigations and inquiries, in the ordinary course of our business. Although we are unable to predict with certainty the eventual outcome of any litigation, regulatory investigation or inquiry, in the opinion of management, we do not expect our current or threatened legal proceedings to have a material adverse effect on our business, financial position or results of operations. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material effect on our business, financial position or results of operations.

## **PART II**

### **Item 4. Market for Company's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.**

We have one class of common stock and our initial public offering was in October 2002. We are listed and traded on the OTCMKTS under the symbol "DSHK".

Our board of directors elected not to pay common stock dividends in 2022, 2023, or 2024 to retain capital for growth. All future dividend distributions will be made at the discretion of our board of directors and will depend upon, among other things, our earnings, investment strategy, financial condition and liquidity, and such other factors as the board of directors deems relevant. We may declare quarterly distributions on our preferred stock at the discretion of our board of directors. The Company paid preferred dividends in the amount of \$0, \$1.4 million, and \$5.6 million for the years ended December 31, 2024, 2023, and 2022, respectively.

We have \$16.8 million of unpaid undeclared dividends on our preferred stock arising in 2020, 2023 and 2024. Our board of directors has elected not to declare a dividend on preferred stock since January 31, 2023. As a result, we cannot pay any dividends on our common stock or pay any consideration to repurchase or otherwise acquire shares of our common stock unless full cumulative preferred dividends have been authorized and paid in accordance with the governing documentation.

On March 17, 2025, the closing sale price for our common stock, as reported on the OTCMKTS, was \$0.14. As of March 17, 2025, there were approximately 43 registered holders of record of our common stock. This number does not reflect the beneficial owners of shares held in nominee name by record holders on their behalf.

#### *Nonqualified Option and Incentive Award Plans*

See Note 11 in Part II, Item 8. "Financial Statements and Supplementary Data" for further information.

As of the date of this annual report, there were no securities authorized for issuance under any equity compensation plan.

#### **Unregistered Sales of Equity Securities**

None.

#### **Issuer Purchases of Equity Securities**

None.

### **Item 5. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following should be read in conjunction with our Consolidated Financial Statements and notes thereto included in Part II, Item 7. "Financial Statements and Supplementary Data," and Part I, Item 1A. "Risk Factors."

## General Overview

The Company is an owner and operator of golf-related leisure and entertainment venues focused on bringing people together through competitive socializing. Our common stock is traded on the OTCMKTS under the symbol “DSHK.”

The Company conducts its business through two primary operating segments:

### Entertainment Golf Business | *Drive Shack and Puttery*

Our entertainment golf business is primarily focused on competitive socializing within the leisure and social entertainment industry, combining chef-inspired food and beverage offerings, with innovative technology modernizing ways to experience golf as a sport and form of entertainment that appeals to a broad range of audiences and competitive appetites.

The Company launched its first Puttery venue in September 2021 in The Colony, Texas. As of December 31, 2024, the Company operated ten leased Puttery venues located in The Colony, Texas; Charlotte, North Carolina; Washington, D.C.; Houston, Texas; Kansas City, Missouri; Minneapolis, Minnesota; Pittsburgh, Pennsylvania; Chicago, Illinois; Miami, Florida; and New York City, New York. The Company opened the Puttery venue in Miami, Florida in January 2024 and New York City, New York in March 2024. Puttery venues are indoor venues typically located in urban and suburban dining and entertainment districts.

We opened our first Drive Shack venue in Orlando, Florida in April 2018, which has largely served as our research and development and testing venue. During the second half of 2019, we opened three Generation 2.0 Drive Shack venues in Raleigh, North Carolina; Richmond, Virginia and West Palm Beach, Florida.

### Traditional Golf Business

Our traditional golf business, American Golf, is one of the largest operators of golf properties in the United States. As of December 31, 2024, we owned, leased or managed forty-two (42) properties across seven states and have more than 32,000 members.

In 2024, American Golf stopped operations at four total properties – three leased courses were not renewed effective January 15, 2024 and one management agreement expired effective June 30, 2024. Effective December 31, 2023, American Golf exited nine management agreements with private courses. In 2022, American Golf exited two management agreements.

For further information relating to our business, see “Item 1. Business.”

## Market Considerations

Our ability to execute our business strategy, particularly expand the number of venues in our entertainment and traditional portfolios, depends to a degree on our ability to optimize our existing entertainment and traditional golf businesses and obtain additional capital. We last raised capital through the equity markets in September 2023, and rising interest rates or stock market volatility could impair our future ability to raise equity capital on attractive terms.

Our ability to generate income is dependent on, among other factors, our ability to raise capital and finance properties on favorable terms, deploy capital on a timely basis at attractive returns, and exit properties at favorable yields. Market conditions outside of our control, such as interest rates, inflation, consumer discretionary spending and stock market volatility affect these objectives in a variety of ways.

### Entertainment Golf Business

Our ability to open additional entertainment golf-related venue formats in 2024 and beyond will depend on many factors, including our ability to identify sites that meet our requirements and negotiate acceptable purchase or lease terms. There is competition within the bid process, and land development and construction are subject to obtaining the necessary regulatory approvals. Delays in these processes, as well as completing construction and recruiting and training the necessary talent, could impact our business.

Trends in consumer spending, as well as climate and weather patterns, could have an impact on the markets in which we currently, or will in the future operate. In addition, our entertainment golf business could be impacted on a season-to-season basis, based upon corporate event and social gatherings during peak and off-peak times.

### Traditional Golf Business

Our traditional golf business is subject to trends in consumer discretionary spending, as well as climate and weather patterns, which has a significant impact on the markets in which we operate. Traditional Golf is generally subject to seasonal fluctuations caused by significant reductions in golf activities due to shorter days and colder temperatures in the first and fourth quarters of each year. Consequently, a significantly larger portion of our revenue from our traditional golf operations is earned in the second and third quarters of our fiscal year. In addition, severe weather patterns can also negatively impact our results of operations.

Trends in consumer spending, as well as climate and weather patterns, could have an impact on the markets in which we currently, or will in the future, operate. We believe growth in related industries, including leisure, fitness and entertainment, may positively impact our traditional golf business.

### **Application of Critical Accounting Policies**

Management's discussion and analysis of financial condition and results of operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Our estimates are based on information available to management at the time of preparation of the Consolidated Financial Statements, including the result of historical analysis, our understanding and experience of the Company's operations, our knowledge of the industry and market-participant data available to us.

Actual results have historically been in line with management's estimates and judgments used in applying each of the accounting policies described below, and management periodically re-evaluates accounting estimates and assumptions. Actual results could differ from these estimates and materially impact our Consolidated Financial Statements. However, the Company does not expect our assessments and assumptions below to materially change in the future.

A summary of our significant accounting policies is presented in Note 2 to our Consolidated Financial Statements, which appear in Part II, Item 7. "Financial Statements and Supplementary Data." The following is a summary of our accounting policies that are most affected by judgments, estimates and assumptions.

### *Impairment of Property and Equipment, Right of Use Assets and Intangible Assets*

The Company periodically reviews the carrying amounts of its long-lived assets, including real estate held-for-use and held-for-sale, as well as finite-lived intangible assets and right-of-use assets, to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. The assessment of recoverability is based on management's estimates by comparing the sum of the estimated undiscounted cash flows generated by the underlying asset, or other appropriate grouping of assets, to its carrying value to determine whether an impairment existed at its lowest level of

identifiable cash flows. If the carrying amount is greater than the expected undiscounted cash flows, the asset is considered impaired and an impairment is recognized to the extent the carrying value of such asset exceeds its fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate.

#### *Membership Deposit Liabilities*

Until 2021, private country club members generally paid an advance initiation deposit upon their acceptance as a member to the respective country club that is refundable 30 years after the date of acceptance as a member. The difference between the initiation deposit paid by the member and the present value of the refund obligation is deferred and recognized into golf operations revenue in the Consolidated Statements of Operations on a straight-line basis over the expected life of an active membership, which is estimated to be seven years. The present value of the refund obligation is recorded as a membership deposit liability in the Consolidated Balance Sheets and accretes over a 30-year nonrefundable term using the effective interest method. This accretion is recorded as interest expense in the Consolidated Statements of Operations.



## Results of Operations

The following tables summarize the changes in our consolidated results of operations from year-to-year (dollars in thousands):

Comparison for Results of Operations for the years ended December 31, 2024 and 2023

	Year Ended December 31		Increase (Decrease)	
	2024	2023	Amount	%
<b>Revenues</b>				
Golf operations (A)	\$ 251,842	\$ 276,524	\$ (24,682)	(8.9)%
Sales of food and beverages	91,801	92,948	(1,147)	(1.2)%
Total revenues	343,643	369,472	(25,829)	(7.0)%
<b>Operating costs</b>				
Operating expenses (A)	266,987	289,149	(22,162)	(7.7)%
Cost of sales - food and beverages	22,601	22,133	468	2.1 %
General and administrative expense	12,592	23,400	(10,808)	(46.2)%
Management fee to affiliate	13,796	—	—	100.0 %
Depreciation and amortization	28,376	30,025	(1,649)	(5.5)%
Pre-opening costs	1,755	6,528	(4,773)	(73.1)%
Loss on lease terminations and impairment	24,162	34,093	(9,931)	(29.1)%
Total operating costs	370,269	405,328	(35,059)	(8.6)%
<b>Operating loss</b>	(26,626)	(35,856)	(9,230)	(25.7)%
<b>Other income (expenses)</b>				
Interest and investment income	35	379	(344)	(90.8)%
Interest expense	(17,485)	(13,167)	4,318	32.8 %
Other income, net	398	6,227	(5,829)	93.6 %
Total other income (expenses)	(17,052)	(6,561)	(10,491)	(159.9)%
Loss before income tax	\$ (43,678)	\$ (42,417)	\$ 1,261	3.0 %

(A) Includes \$23.1 million and \$59.8 million for the years ended December 31, 2024 and 2023, respectively, due to management contract reimbursements reported under revenue accounting standard in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606").

## Revenues from Golf Operations

Revenues from golf operations decreased by \$24.7 million during the year ended December 31, 2024 compared to the year ended December 31, 2023 primarily due to a \$39.2 million decrease from the nine managed private courses exited. Of the total \$39.2 million, \$2.6 million represents lost management fee revenue and \$36.6 million represents amounts paid by American Golf and reimbursed by the managed courses with no margin. Additionally, Entertainment Golf recognized \$2.2 million less golf revenue which was driven by a 20% decline in non-event visitors. These revenue declines were partially offset by \$15 million of growth in membership and green Fee/cart fee revenues.

## **Sales of Food and Beverages**

Sales of food and beverages decreased by \$1.1 million during the year ended December 31, 2024 compared to the year ended December 31, 2023 primarily due to a \$3.4 million decrease in Entertainment Golf sales. Declines in Entertainment Golf food and beverage sales were offset by a \$2.2 million increase in Traditional Golf food and beverage sales that was driven by increased visitation to the courses.

## **Operating Expenses**

Operating expenses decreased by \$22.2 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. This decline is primarily due to \$36.6 million less expense related to the nine managed private courses exited. American Golf had increased operating expenses of \$9.7 million related to payroll, utilities and percentage rent driven by increased revenue. Entertainment Golf operating expenses increased by \$3.8 million primarily due to the new Miami and New York venue openings.

## **Cost of Sales - Food and Beverages**

Food and beverage cost of sales increased by \$0.5 million during the year ended December 31, 2024 compared to the year ended December 31, 2023. This was primarily driven by (i) a \$2.3 million increase in food and beverage revenue for American Golf and (ii) decreased gross margins in the event business for Entertainment Golf.

## **General and Administrative Expense**

General and administrative expense decreased by \$8.8 million during the year ended December 31, 2024 compared to the year ended December 31, 2023 which includes a \$2.6 million decrease in personnel related expense, \$3.3 million decrease in professional fees, \$0.8 million decrease in marketing expense, \$0.5 million decrease in technology expense and \$0.6 million decrease in other operating expenses.

## **Management Fee to Affiliate**

Pursuant to the Management Agreement, a management fees of \$11.8 million was earned as an incentive fee to the Manager. As part of this agreement, \$2.0 million in management expenses were reimbursed back to the manager. There were no management fees during the years ended December 31, 2023 and 2022 as no management agreement was in place at that time.

## **Depreciation and Amortization**

Depreciation and amortization decreased by \$1.6 million during the year ended December 31, 2024 compared to the year ended December 31, 2023 driven by multiple assets reaching the end of their useful life at the beginning of 2024.

## **Pre-Opening Costs**

Pre-opening costs decreased by \$(4.8) million during the year ended December 31, 2024 compared to the year ended December 31, 2023 as entertainment golf only opened two additional venues in the year.

## **Loss on Lease Terminations and Impairment**

During the year ended December 31, 2024, the Company recorded impairment charges of \$24.2 million in the Entertainment Golf business related to the Kansas City and New York venues as well as losses recognized upon assignment to a third party of the Randall's Island lease. The reason for the impairment in Kansas City and New York were a combination of underperformance and costs exceeding planned construction costs. Both locations remain open and operating with no physical disposition of the underlying assets. In 2023, the Company recognized impairments totaling \$31.8 million related to two underperforming Drive Shack venues in Richmond, Virginia, and Orlando, Florida. Both locations remain open and operating with no physical disposition of the underlying assets.

### **Interest and Investment Income**

There was a decrease of \$0.3 million due to the disposal of real estate securities ended December 31, 2024. This was primarily due to the disposal of real estate securities during the year ended December 31, 2023.

### **Interest Expense, net**

For the year ended December 31, 2024, interest expense, net increased by \$4.3 million primarily due to (i) a \$2.6 million increase related to MDL accretion and (ii) a \$1.3 million increase related to the \$26.5 million loan facility, and (iii) a \$0.3 million increase related to insurance financing.

### **Other Income, Net**

Other income, net decreased by \$5.8 million during the year ended December 31, 2024 compared to the year ended December 31, 2023, due to a \$3.3 million decrease in traditional golf and \$2.5 million decrease in entertainment golf. The decline in entertainment golf was primarily due to the loss on the extinguishment of debt resulting in a \$1.6 million decrease. Traditional golf revenue decreased by \$3.3 million primarily due to the accelerated recognition of initiation fees following the departure of members.

### Comparison of Results of Operations for the years ended December 31, 2023 and 2022

For details on Results of Operations for the years ended December 31, 2023 and 2022, please see our 2023 financial statements dated May 31, 2024.

### **Liquidity and Capital Resources**

#### *Overview*

Our primary sources of liquidity are our current balances of cash and cash equivalents. As of December 31, 2024, we had \$10.2 million of available cash, including \$9.0 million of cash from the traditional golf business.

Our primary cash needs are capital expenditures for remodeling and maintaining existing facilities, funding working capital, operating lease and finance lease obligations, servicing our debt obligations, paying management fees, paying dividends on our preferred stock, and for general corporate purposes.

The Company's growth strategy and our ability to execute is dependent upon many factors, including the current and future operating performance of our entertainment golf venues and traditional golf properties, the pace of expansion, real estate markets, site locations, our ability to raise financing and the nature of the arrangements negotiated with landlords. Based upon current levels of operations and anticipated growth, we expect that cash flows from operations, combined with other financing alternatives in place or available will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future.

On March 8, 2023, New Drive Shack Holdings LLC & Subsidiaries (the “Company”) announced that its entertainment golf business had obtained financing to fund the continued expansion of the Puttery business, in the form of a five-year senior secured delayed draw term loan facility in an aggregate principal amount of \$26.5 million (the “Facility”) to meet our near term liquidity requirements to fund our planned growth, including new venue development and construction, product innovation, and general corporate needs. Our first draw was made in the amount of \$16.5 million during the first quarter of 2023, excluding transaction costs. The option to draw the remainder of the amount was extended to December 30, 2023 and subsequently the draw in the amount of \$10.5 million (excluding any transaction fees) was made on November 28, 2023. As of October 2024, the Company fully repaid the Facility amount.

In the third quarter of 2023, we commenced a rights offering to qualified institutions that held common stock as of July 28, 2023. The rights entitled qualified institutions to purchase, in the aggregate, up to 67.5 million shares of common stock at a price equal to \$0.20 per whole share. The rights offering closed on September 11, 2023 and total gross proceeds from the participation were \$13.5 million. The proceeds are meant to be used for the completion of remaining Puttery's, as well as to remodel and refurbish the existing Drive Shack facilities.

For a further discussion of risks that could affect our liquidity, access to capital resources and our capital obligations, see Part I, Item 1A. “Risk Factors” above.

### *Summary of Cash Flows*

The following table and discussion summarize our key cash flows from operating, investing and financing activities:

	Year ended December 31,		
	2024	2023	2022
Net cash provided by (used in):			
Operating activities	\$ 47,388	\$ 13,191	\$ 15,446
Investing activities	(17,861)	(46,045)	(50,823)
Financing activities	(32,269)	31,747	(10,253)
Net (Decrease) Increase in Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent	\$ (2,742)	\$ (1,107)	\$ (45,630)

### Operating Activities

Cash flows used in operating activities consist primarily of net losses adjusted for certain items including depreciation and amortization of assets, amortization of prepaid golf member dues, impairment losses, other gains and losses from the sale of assets, stock-based compensation expense, and the effect of changes in operating assets and liabilities.

Net cash flow provided by operating activities increased from \$13.2 million for the year ended December 31, 2023 to \$47.4 million for the year ended December 31, 2024. Net cash flow provided by operating activities decreased from \$15.4 million for the year ended December 31, 2022 to \$13.2 million for the year ended December 31, 2023. The increase in 2024 was related to an improved working capital resulting in a positive change of \$23.4 million.

### Investing Activities

Cash flows used in investing activities primarily relate to capital expenditures related to the development of the entertainment golf venues and renovations of existing facilities.

Cash used in investing activities decreased by \$28.1 million in 2024 compared to 2023 and decreased by \$4.8 million from 2022 to 2023. Our total capital expenditures for 2024, 2023, and 2022 were \$23.4 million, \$51.5 million, and \$56.4 million respectively. We expect our capital expenditures over the next 12 months to range between \$13.0 and \$17.0 million primarily related to maintaining existing facilities. These capital expenditures are expected to be funded through cash provided by operations as well as cash on hand at December 31, 2024.

### Financing Activities

Cash flows used in or provided by financing activities consist primarily of cash from the origination and repayment of debt obligations, the issuance of common stock, deposits received on golf memberships, and the payment of preferred dividends.

Cash provided by financing activities decreased by \$63.7 million in 2024 compared to 2023. Cash used in financing activities increased by \$42.0 million in 2023 compared to 2022.

*Dividends.* The Company paid preferred dividends declared in the amount of \$1.4 million in 2023 and \$5.6 million in 2022. The Company has an ongoing obligation to satisfy the distribution requirements of the preferred shares, in accordance with the terms of the issuance. The timing and amount of distributions on our common stock are in the sole discretion of its board of directors.

*Debt Obligations.* The \$26.5 million Entertainment Golf Credit Facility that was taken on in 2023 was fully repaid as of November 12, 2024.

*Golf Membership Deposits.* Until 2021, private country club members generally paid an advance initiation deposit upon their acceptance as a member to the respective country club, which are refundable 30 years after the date of acceptance as a member.

### *Debt Instruments*

See Note 8 in Part II, Item 7. “Financial Statements and Supplementary Data” for further information related to our debt obligations and contractual maturities as of December 31, 2024.

### **Off-Balance Sheet Arrangements**

As of December 31, 2024, we had the following material off-balance sheet arrangements. We believe that these off-balance sheet structures presented the most efficient and least expensive form of financing for these assets at the time they were entered, and represented the most common market-accepted method for financing such assets.

- In April 2006, we securitized Subprime Portfolio I. The loans were sold to a securitization trust, of which 80% were treated as a sale, which is an off-balance sheet financing.
- In July 2007, we securitized Subprime Portfolio II. The loans were sold to a securitization trust, of which 90% were treated as a sale, which is an off-balance sheet financing.

We have no obligation to repurchase any loans from either of our subprime securitizations. Therefore, it is expected that our exposure to loss is limited to the carrying amount of our retained interests in the securitization entities, in the amount of \$0 million as of December 31, 2024. A subsidiary of ours gave limited representations and warranties with respect to the second securitization; however, it has no assets and does not have recourse to the general credit of the Company.

## Contractual Obligations

The following table summarizes our contractual arrangements as of December 31, 2024, and the timing and effect that such commitments are expected to have on our liquidity and capital requirements in future periods:

Contract	Fixed and Determinable Payments Due by Period				Total
	2025	2026-2027	2028-2029	Thereafter	
Finance lease obligations - Equipment <sup>(A)</sup>	3,027	3,294	578	—	6,899
Debt obligations <sup>(B)</sup>	3,628	7,256	7,256	70,493	88,633
Operating lease obligations <sup>(C)</sup>	35,176	69,241	66,388	141,366	312,171
Membership deposit liabilities <sup>(D)</sup>	36,000	26,300	35,957	147,115	245,372
Management agreement <sup>(E)</sup>	27,593	27,593	27,593	55,185	137,964
Total	\$ 105,424	\$ 133,684	\$ 137,772	\$ 414,159	\$ 791,039

- (A) Includes interest based on rates existing at lease inception or ASC 842 adoption on January 1, 2019. Leases that are repayable prior to maturity at our options are reflected as their contractual maturity dates. See Note 6 to our Consolidated Financial Statements for further discussions.
- (B) Includes interest based on rates existing at December 31, 2024 and assumes no prepayments. Obligations that are repayable prior to maturity at our option are reflected at their contractual maturity dates. See Note 8 to our Consolidated Financial Statements for further discussions.
- (C) Includes leases of golf courses and related facilities, carts and equipment. Excludes escalation charges which per our lease agreements are not fixed and determinable payments. Also excludes six month-to-month property leases which are cancellable by the parties with 30 days written notice and various month-to-month operating leases for carts and equipment. See Notes 2 and 6 to our Consolidated Financial Statements for further discussions.
- (D) Amounts represent gross initiation deposits refundable 30 years after the date of acceptance of a member. See Notes 2 and 13 to our Consolidated Financial Statements for further discussion.
- (E) Amount reflects management fees for the next nine years assuming no change in the targeted EBITDA achievement for the year ending December 31, 2024. 2025 includes payments for both 2024 and 2025 management fees.

## Item 6. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates, commodity prices and equity prices. We substantially exited our real estate related debt positions, which significantly reduced our market risk exposure related to interest rate risk, credit spread risk and credit risk. We are also exposed to inflationary factors in our business.

### Commodity Price Risk

We are exposed to market price fluctuation in food and beverage product prices and these fluctuations can materially impact our costs. There is no assurance that supply and demand factors such as disease or inclement weather will not cause the prices of the commodities used in our operations to fluctuate. Significant increases in the price of commodities could have a material impact on our operating results to the extent that such increases cannot be offset by menu price increases or other operating efficiencies.

**Inflation**

The primary inflationary factors affecting our operations include materials and labor costs. We have a substantial number of hourly employees who are paid wage rates at or based on the applicable federal, state or city minimum wage and increases in the minimum wage will increase our labor costs. In general, we have been able to partially offset cost increases resulting from inflation by increasing prices, improving productivity, or other operating changes. We may or may not be able to offset cost increases in the future. In addition, our leases require us to pay taxes, maintenance, repairs and utilities and these costs are subject to inflationary increases. In some cases, some of our lease commitments are tied to consumer price index increases.

**Trends**

See Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Considerations" for a further discussion of recent trends and events affecting our liquidity, unrealized gains and losses.

**Item 7. Financial Statements and Supplementary Data.**

Index to Financial Statements:

Report of Independent Auditors

Consolidated Balance Sheets as of December 31, 2024 and December 31, 2023

Consolidated Statements of Operations for the years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Changes in Equity for the years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022

Notes to Consolidated Financial Statements



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Kansas City, MO 64106

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Drive Shack Inc.

### Opinion

We have audited the consolidated financial statements of Drive Shack Inc. (a Maryland corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statement of operations, comprehensive loss, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other matter

The consolidated financial statements of the Company as of December 31, 2023 and for the year then ended were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated May 31, 2024.

In addition, the consolidated financial statements of the Company as of December 31, 2022 (not presented herein) and for the year then ended were audited by other auditors, who expressed an unmodified opinion on those financial statements in their report dated April 27, 2023.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other information included in the annual report**

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other

information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Grant Thornton LLP*

Kansas City, Missouri  
March 31, 2025

**DRIVE SHACK INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

AS OF DECEMBER 31, 2024 AND 2023

(dollars in thousands, except share data)

	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 10,235	\$ 12,407
Restricted cash	2,850	3,204
Accounts receivable, net	7,496	10,779
Real estate securities, trading	—	392
Other current assets	18,301	25,489
Total Current Assets	38,882	52,271
Restricted cash, noncurrent	—	216
Property and equipment, net	167,231	197,680
Operating lease right-of-use assets	175,861	162,241
Intangibles, net of accumulated amortization	9,915	12,500
Other assets	10,143	10,965
<b>Total assets</b>	<b>\$ 402,032</b>	<b>\$ 435,873</b>
<b>Liabilities and Equity</b>		
Current liabilities		
Obligations under finance leases	\$ 2,708	\$ 3,409
Credit facilities - current	—	1,325
Membership deposit liabilities, net	33,456	26,323
Accounts payable and accrued expenses	35,427	41,984
Deferred revenue	15,204	15,731
Other current liabilities	35,218	16,200
Total current liabilities	122,013	104,972
Obligations under finance leases - noncurrent	3,595	5,772
Operating lease liabilities - noncurrent	188,993	176,469
Credit facilities, net - noncurrent	200	23,686
Junior subordinated notes payable	51,139	51,150
Membership deposit liabilities - noncurrent, net	113,148	111,617
Deferred revenue - noncurrent	18,311	14,989
Other liabilities	310	212
<b>Total Liabilities</b>	<b>\$ 497,709</b>	<b>\$ 488,867</b>

Commitments and contingencies (Note 12)

**Equity**

Preferred stock, \$0.01 par value, 100,000,000 shares authorized, 1,347,321 shares of 9.75% Series B Cumulative Redeemable Preferred Stock (2,875,000 shares authorized), 496,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock (1,800,000 shares authorized), and 620,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock (2,300,000 shares authorized), liquidation preference \$25.00 per share for all Series	\$ 61,583	\$ 61,583
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 199,442,524 and 159,544,168 shares issued and outstanding at December 31, 2024 and 2023, respectively	1,994	1,595
Additional paid-in capital	3,248,748	3,246,823
Accumulated deficit	(3,412,950)	(3,368,801)
Total deficit of the Company	\$ (100,625)	\$ (58,800)
Noncontrolling interest	4,948	5,806
<b>Total deficit</b>	<b>\$ (95,677)</b>	<b>\$ (52,994)</b>
<b>Total liabilities and deficit</b>	<b><u>\$ 402,032</u></b>	<b><u>\$ 435,873</u></b>

See notes to consolidated financial statements.

**DRIVE SHACK INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 and 2022

(dollars in thousands, except per share data)

	<b>Year Ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>			
Golf operations	\$ 251,842	\$ 276,524	\$ 248,980
Sales of food and beverages	91,801	92,948	76,763
Total revenues	343,643	369,472	325,743
<b>Operating costs</b>			
Operating expenses	266,987	289,149	261,789
Cost of sales - food and beverages	22,601	22,133	19,375
General and administrative expense	12,592	23,400	38,844
Management fee to affiliate	13,796	—	—
Depreciation and amortization	28,376	30,025	25,683
Pre-opening costs	1,755	6,528	6,436
Loss on lease terminations and impairment	24,162	34,093	17,176
Total operating costs	370,269	405,328	369,303
Operating loss	(26,626)	(35,856)	(43,560)
<b>Other income (expenses)</b>			
Interest and investment income	35	379	2,116
Interest expense	(17,485)	(13,167)	(13,666)
Other income, net	398	6,227	5,099
Total other (expenses) income	(17,052)	(6,561)	(6,451)
Loss before income tax	(43,678)	(42,417)	(50,011)
Income tax expense (benefit)	785	(391)	2,035
Net loss	(44,463)	(42,026)	(52,046)
Less: net loss attributable to noncontrolling interest	(314)	(48)	(145)
Net loss attributable to the Company	(44,149)	(41,978)	(51,901)
Preferred dividends	(5,859)	(6,072)	(5,580)
Loss applicable to common stockholders	\$ (50,008)	\$ (48,050)	\$ (57,481)
<b>Loss Applicable to Common Stock, per share</b>			
Basic	\$ (0.29)	\$ (0.42)	\$ (0.62)
Diluted	\$ (0.29)	\$ (0.42)	\$ (0.62)
<b>Weighted Average Number of Shares of Common Stock Outstanding</b>			
Basic	169,961,043	114,618,112	92,351,215
Diluted	169,961,043	114,618,112	92,351,215

See notes to consolidated financial statements.

**DRIVE SHACK INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 and 2022

(dollars in thousands)

	<b>Year Ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Net loss	\$ (44,463)	\$ (42,026)	\$ (52,046)
Other comprehensive loss:			
Net unrealized gain (loss) on available-for-sale securities	—	281	(1,444)
Other comprehensive gain (loss)	—	281	(1,444)
Total comprehensive loss	(44,463)	(41,745)	(53,490)
Comprehensive loss attributable to noncontrolling interest	(314)	(48)	(145)
Comprehensive loss attributable to the Company	<u>\$ (44,149)</u>	<u>\$ (41,697)</u>	<u>\$ (53,345)</u>

See notes to consolidated financial statements.

# DRIVE SHACK INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 and 2022

	Drive Shack Inc. Stockholders								
	Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comp. Income (Loss)	Noncontrolling interest	Total Equity (Deficit)
	Shares	Amount	Shares	Amount					
Equity (deficit) - December 31, 2021	2,463,321	\$ 61,583	92,093,425	\$ 921	\$ 3,233,608	\$ (3,268,876)	\$ 1,163	\$ 1,456	\$ 29,855
Dividends declared	—	—	—	—	—	(5,580)	—	—	(5,580)
Stock-based compensation	—	—	—	—	(345)	—	—	—	(345)
Shares issued from options and restricted stock units	—	—	291,594	3	—	—	—	—	3
Contributed Capital	—	—	—	—	(1,159)	—	—	4,044	2,885
Capital distribution	—	—	—	—	—	—	—	(285)	(285)
Net loss	—	—	—	—	—	(51,901)	—	(145)	(52,046)
Other comprehensive loss	—	—	—	—	—	—	(1,444)	—	(1,444)
Total comprehensive loss	—	—	—	—	—	—	—	—	(53,490)
Equity (deficit) - December 31, 2022	2,463,321	\$ 61,583	92,385,019	\$ 924	\$ 3,232,104	\$ (3,326,357)	\$ (281)	\$ 5,070	\$ (26,957)
Dividends declared	—	—	—	—	—	(466)	—	—	(466)
Stock-based compensation	—	—	—	—	82	—	—	—	82
Shares issued from options and restricted stock units	—	—	149,660	1	—	—	—	1	1
Shares issued from equity raise	—	—	67,009,489	670	12,557	—	—	—	13,227
Contributed capital	—	—	—	—	2,081	—	—	1,807	3,888
Capital distribution	—	—	—	—	—	—	—	(1,023)	(1,023)
Net loss	—	—	—	—	—	(41,978)	—	(48)	(42,026)
Other comprehensive income	—	—	—	—	—	—	281	—	281
Total comprehensive loss	—	—	—	—	—	—	—	—	(41,745)
Equity (deficit) - December 31, 2023	2,463,321	\$ 61,583	159,544,168	\$ 1,595	\$ 3,246,823	\$ (3,368,801)	\$ —	\$ 5,806	\$ (52,994)
Stock-based compensation	—	—	11,449,178	114	2,290	—	—	—	2,404
Issuance of restricted stock	—	—	28,449,178	285	(285)	—	—	—	—
Shares issued from equity raise	—	—	—	—	(80)	—	—	—	(80)
Capital distribution	—	—	—	—	—	—	—	(544)	(544)
Net loss	—	—	—	—	—	(44,149)	—	(314)	(44,463)
Equity (deficit) - December 31, 2024	2,463,321	\$ 61,583	199,442,524	\$ 1,994	\$ 3,248,748	\$ (3,412,950)	\$ —	\$ 4,948	\$ (95,677)

See notes to consolidated financial statements.



**DRIVE SHACK INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 and 2022

(dollars in thousands)

	Year Ended December 31,		
	2024	2023	2022
<b>Cash Flows From Operating Activities</b>			
Net loss	\$ (44,463)	\$ (42,026)	\$ (52,046)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	28,376	30,025	25,683
Amortization of discount and premium	512	253	(770)
Membership deposit liability accretion expense	9,005	6,443	10,463
Non-cash operating lease expense	5,430	6,147	2,606
Stock based compensation	2,404	82	(342)
Loss on lease terminations and impairment	24,162	34,093	17,176
Gain from insurance proceeds for property loss	(5,158)	(3,804)	(3,205)
Realized gain on investment	—	(101)	(1,244)
Other losses	3,682	541	403
Change in:			
Accounts receivable, net, other current assets and other assets – noncurrent	11,293	(10,360)	9,583
Accounts payable and accrued expenses, deferred revenue, other current liabilities and other liabilities - noncurrent	12,145	(8,102)	7,139
Net cash provided by operating activities	<u>47,388</u>	<u>13,191</u>	<u>15,446</u>
<b>Cash Flows From Investing Activities</b>			
Insurance proceeds for property loss	5,158	3,804	3,205
Proceeds from sale of property and equipment	—	8	—
Proceeds from the sale of investments	392	1,621	2,420
Acquisition and additions of property and equipment and intangibles	(23,411)	(51,478)	(56,448)
Net cash used in investing activities	<u>(17,861)</u>	<u>(46,045)</u>	<u>(50,823)</u>
<b>Cash Flows From Financing Activities</b>			
Preferred stock dividends paid	—	(1,395)	(5,580)
Borrowings under debt obligations	—	26,500	—
Repayments of debt obligations	(30,230)	(5,540)	(5,647)
Payment of deferred financing costs	(387)	(1,961)	—
Golf membership deposits received	—	—	45
Capital distribution paid	(544)	(1,023)	(285)
Issuance of common stock	(80)	13,227	3
Capital contributions received	—	3,888	2,883
Other financing activities	<u>(1,028)</u>	<u>(1,949)</u>	<u>(1,672)</u>
Net cash (used in) provided by financing activities	<u>(32,269)</u>	<u>31,747</u>	<u>(10,253)</u>

<b>Net Decrease in Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent</b>	(2,742)	(1,107)	(45,630)
<b>Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent, Beginning of Period</b>	15,827	16,934	62,564
<b>Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent, End of Period</b>	\$ 13,085	\$ 15,827	\$ 16,934
Cash paid during the period for income taxes	\$ 315	\$ 1,605	\$ 2,776
Cash paid during the period for interest expense	\$ 8,136	\$ 6,376	\$ 1,985

#### **Supplemental Schedule of Non-Cash Investing and Financing Activities**

Preferred stock dividends declared but not paid	\$ —	\$ —	\$ 930
Preferred stock dividends accumulated but not paid	\$ 5,859	\$ 5,386	\$ —
Additions to finance lease assets and liabilities	\$ 1,032	\$ 4,311	\$ 1,936
Additions for operating lease right-of-use assets in exchange for new operating lease liabilities	\$ 28,822	\$ 3,725	\$ 33,415
Increases (decreases) in accounts payable and accrued expenses related to the purchase of property and equipment	\$ (3,317)	\$ 318	\$ 2,143

See notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2024, 2023 and 2022

(dollars in tables in thousands, except share and per share data)

**1. ORGANIZATION**

Drive Shack Inc., which is referred to in these consolidated financial statements, as Drive Shack or the Company, is an owner and operator of golf-related leisure and entertainment venues focused on bringing people together through competitive socializing. The Company, a Maryland corporation, was formed in 2002, and its common stock is traded on the OTCMKTS under the symbol "DSHK."

The Company conducts its business through the following segments: (i) entertainment golf venues, (ii) traditional golf properties and (iii) corporate. For a further discussion of the reportable segments, see Note 4.

As of December 31, 2024, the Company operated four Drive Shack venues located in Orlando, Florida, West Palm Beach, Florida, Raleigh, North Carolina, and Richmond, Virginia.

As of December 31, 2024, the Company operated ten leased Puttery venues located in The Colony, Texas; Charlotte, North Carolina; Washington, D.C.; Houston, Texas; Kansas City, Missouri; Minneapolis, Minnesota; Pittsburgh, Pennsylvania; Chicago, Illinois; Miami, Florida; and New York City, New York. The Company opened the Puttery venues in Miami, Florida in January 2024 and New York City, New York in March 2024.

The Company's traditional golf business operates golf courses and country clubs in the United States. As of December 31, 2024, the Company owned, leased or managed forty-two (42) properties across seven states. The leases for three public courses expired and were not renewed on January 15, 2024. The management contracts for nine private locations expired on December 31, 2023 and were not renewed. The management contract for one public location expired on June 30, 2024 and was not renewed.

The corporate segment consists primarily of securities and other investments and executive management.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** — The accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles or GAAP set by the Financial Accounting Standards Board ("FASB"). References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification ("FASB ASC"). The Consolidated Financial Statements include the accounts of the Company and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated. The Company consolidates those entities in which it has an investment of 50% or more and has control over significant operating, financial and investing decisions of the entity. The portions of equity in consolidated subsidiaries that are not attributable, directly or indirectly, to us are presented as noncontrolling interest.

**Risks and Uncertainties** — We plan to develop and construct our entertainment golf business through long term ground leases of existing retail real estate. Developing new entertainment golf venues requires a significant amount of time and resources and poses a number of risks. Construction of new venues may result in cost overruns, delays or unanticipated expenses related to zoning or tax laws. We face competition for potential site locations. Desirable sites may be unavailable or expensive, and the markets in which new venues are located may deteriorate over time. Additionally, the market potential of venues cannot be precisely determined, and our venues may face competition in new markets from unexpected sources. Constructed venues may not perform up to our expectations.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Use of Estimates** — Our estimates are based on information available to management at the time of preparation of the Consolidated Financial Statements, including the results of historical analysis, our understanding and experience of the Company's operations, our knowledge of the industry and market-participant data available to us. Actual results have historically been in line with management's estimates and judgements used in applying each of the accounting policies, and management periodically re-evaluates accounting estimates and assumptions. Actual results could differ from these estimates and materially impact our Consolidated Financial Statements. However, we do not expect our assessments and assumptions to materially change in the future.

**Comprehensive Loss** — Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. For the Company's purposes, comprehensive loss represents primarily net income (loss), as presented in the Consolidated Statements of Operations, adjusted for unrealized gains or losses on securities available-for-sale. As of December 31, 2024 and 2023, accumulated other comprehensive loss included net unrealized gains on securities was \$0.0 million.

**Recently Issued Accounting Standards** - In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" (ASU 2023-09), which includes amendments that further enhance income tax disclosures through the standardization and disaggregation of rate reconciliation categories and income taxes paid in both domestic and foreign jurisdictions. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 and is to be applied prospectively, with early adoption and retrospective application permitted. The Company is in the process of evaluating the impact that ASU 2023-09 will have on our income tax related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), which introduces new reportable segment disclosure requirements related to significant segment expenses and also expands reportable segment disclosure requirements for interim reporting. The amendment will require public entities to disclose significant segment expenses that are regularly provided to the chief operating decision maker and are included within each reportable segment's profits and losses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company's segment disclosures in Note 4 have been modified to include the additional disclosures required by ASU 2023-07.

In November 2024, the FASB issued ASU 2024-03, Disaggregation of Income Statement Expenses (DISE). This guidance requires disaggregated disclosure of income statement expenses for public business entities. ASU 2024-03 does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. As revised by ASU 2025-01, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures, the provisions of ASU 2024-03 are effective for fiscal years beginning after December 15, 2026, with early adoption permitted. Except for expanding disclosures to include more granular income statement expense categories, we do not expect the adoption of ASU 2024-03 to have a material effect on our consolidated financial statements taken as a whole.

**REVENUE RECOGNITION****Golf Operations**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Entertainment Golf** — Revenue from bay play, gameplay, events, and other operating activities (consisting primarily of instruction and merchandise sales) is generally recognized at a point in time which is at the time of sale or when services are rendered and collectability is probable.

**Traditional Golf** — Revenue from green fees, cart rentals, merchandise sales and other operating activities (consisting primarily of range income, banquets and club amenities) is generally recognized at a point in time which is at the time of sale or when services are rendered and collectability is probable.

Revenue from membership dues for private club members and The Players Club members is recognized in the month earned. Membership dues received in advance are included in deferred revenue and recognized as revenue ratably over the appropriate period, which is generally twelve months or less for private club members and the following month for The Players Club members. The membership dues are generally structured to cover the club operating costs and membership services.

Private country club members generally pay an advance initiation fee upon their acceptance as a member to the respective country club. Initiation fees are non-refundable after the date of acceptance as a member. The initiation fee revenue is deferred and recognized in the Consolidated Statements of Operations on a straight-line basis over the expected life of an active membership, which is estimated to be seven years. The determination of the estimated average expected life of an active membership is based on company-specific historical data and involves judgment and estimation. Until 2021, private country club members generally paid an advance initiation deposit which was refundable 30 years after the date of acceptance as a member. The difference between the initiation deposit paid by the member and the present value of the refund obligation is deferred and recognized into revenue in the Consolidated Statements of Operations on a straight-line basis over the seven year expected life of an active membership. The present value of the refund obligation is recorded as a membership deposit liability in the Consolidated Balance Sheets and accretes over a 30-year nonrefundable term using the effective interest method. This accretion is recorded as interest expense in the Consolidated Statements of Operations.

Revenue from the reimbursement of certain operating costs incurred at the Company's managed traditional golf properties is recognized at the time the associated operating costs are incurred as collectability is probable per the terms of the management contracts and the repayment histories of the property owners.

The Company has elected to exclude from the measurement of the transaction price all taxes (e.g. sales, use, value-added) assessed by government authorities and collected from a customer. Therefore, revenue is recognized net of such taxes.

**Seasonality**

Seasonality can affect our results of operations. Our traditional golf business is subject to seasonal fluctuations as colder temperatures and shorter days reduce the demand for outdoor activities. As a result, the traditional golf business generates a disproportionate share of its annual revenue in the second and third quarters of each calendar year. In addition, our Drive Shack and Puttery venues could be significantly impacted on a season-to-season basis, based on corporate event and social gathering volumes during holiday seasons and school vacation schedules.

**Sales of Food and Beverages** — Revenue from food and beverage sales is recorded at the time of sale, net of discounts.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Other Income (Expense), Net** — These items are comprised of the following:

	Year Ended December 31,		
	2024	2023	2022
Insurance proceeds	5,158	5,114	3,205
Loss on disposal of long-lived assets and intangibles	(1,106)	(18)	(38)
Loss on early extinguishment of debt	(1,553)	—	—
Collateral management fee income, net	—	187	96
Other (expense) income, net	(2,101)	944	1,836
Other (expense) income, net	<u>\$ 398</u>	<u>\$ 6,227</u>	<u>\$ 5,099</u>

## EXPENSE RECOGNITION

**Operating Expenses** — Operating expenses consist primarily of payroll, utilities, repairs and maintenance, supplies, advertising and marketing, technology support and operating lease rent expense. A majority of the properties and related facilities are leased under long-term operating leases. See Note 6 for additional information. Marketing and advertising costs, which are expensed as incurred, totaled \$1,084, \$1,346, and \$1,800 for the years ended December 31, 2024, 2023, and 2022, respectively.

**General and Administrative Expense** — General and administrative expense consists of costs associated with corporate and administrative functions that support development and operations.

**Management Fees** — These represent amounts due to the Manager pursuant to the Management Agreement. For further information on the Management Agreement, see Note 15.

**Pre-Opening Costs** — Pre-opening costs are expensed as incurred and consist primarily of employee payroll, marketing expenses, operating lease costs, travel and related expenses, training costs, food, beverage and other restaurant operating expenses incurred prior to opening an entertainment golf venue.

**Interest Expense, Net** — The Company financed its operations using both fixed and floating rate debt, including mortgage loans and other financing vehicles. Certain of this debt has been issued at a discount. Discounts are accreted into interest expense on the effective yield or interest method, based upon a comparison of actual and expected cash flows, through the expected maturity date of the financing. See Note 8 for additional information.

**Stock-Based Compensation Expense** — From 2018 through 2023, the Company maintained an equity incentive plan under which non-qualified stock options, incentive stock options, and restricted stock units or RSUs were granted to employees and non-employee directors. Stock options and RSUs are expensed based on the fair value on the date of grant and amortized on a straight-line basis over the requisite service period. The fair value of RSUs is determined using the stock price on the date of grant. The fair value of stock options is estimated on the grant date using the Black-Scholes option valuation model. Unvested stock options and RSUs are forfeited by non-employee directors upon their departure from the board of directors and forfeited by employees upon their termination. All stock-based compensation expense is recorded as general and administrative expense in the Consolidated Statements of Operations. As of May 9, 2024, the Company did not maintain an equity incentive plan. See Note 11 for additional information.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## BALANCE SHEET MEASUREMENT

**Property and Equipment, Net** — Real estate related improvements and equipment are recorded at cost less accumulated depreciation. Costs that both materially add value to an asset and extend the useful life of an asset by more than a year are capitalized which may include significant renovations, remodels and major repairs. Costs that do not meet this criteria, such as minor repairs and routine maintenance, are expensed as incurred.

Depreciation is calculated using the straight-line method based on the lesser of the following estimated useful lives or the lease term:

Buildings and improvements	10-40 years
Finance leases - equipment	2-6 years
Furniture, fixtures, and equipment	2-7 years

The Company leases certain golf carts and other equipment that are classified as finance lease Right of Use ("ROU") assets. The value of finance leases is recorded as an asset on the balance sheet, along with a liability related to the present value of associated payments. Depreciation of finance lease assets is calculated using the straight-line method over the shorter of the estimated useful lives or the expected lease terms. The cost of equipment under finance leases is recorded in "Property and equipment, net of accumulated depreciation" on the Consolidated Balance Sheets. Payments under the leases are treated as reductions of the obligations under finance leases, with a portion being recorded as interest expense under the effective interest method.

**Real Estate Securities** — The Company invested in securities, including real estate related asset backed securities, which were classified as available-for-sale at December 31, 2022. Securities available-for-sale are carried at fair value with the net unrealized gains or losses reported as a separate component of accumulated other comprehensive income. At disposition, the net realized gain or loss is determined on the basis of the cost of the specific investments and is included in earnings. Unrealized losses on securities are charged to earnings if there is an intent to sell or if they reflect a decline in value that is other-than-temporary. Income on these securities is recognized using a level yield methodology based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. During the year ended December 31, 2023, all available for sale securities classified as available for sale were either sold or reclassified as trading securities. All remaining real estate securities were disposed of during the year ended December 31, 2024. See Note 9 for additional information.

**Leasing Arrangements** — The Company evaluates at lease inception whether an arrangement is or contains a lease by providing the Company with the right to control an asset. Operating leases are accounted for on the balance sheet with the ROU assets and lease liabilities recognized in "Operating lease right-of-use assets," "Other current liabilities" and "Operating lease liabilities - noncurrent" in the Consolidated Balance Sheets. Finance lease ROU assets, current lease liabilities and noncurrent lease liabilities are recognized in "Property and equipment, net of accumulated depreciation," and "Obligations under finance leases" and "Credit facilities and obligations under finance leases - noncurrent" in the Consolidated Balance Sheets, respectively.

All lease liabilities are measured at the present value of the associated payments, discounted using the Company's incremental borrowing rate determined using a portfolio approach based on the rate of interest that the Company would pay to borrow an amount equal to the lease payments for a similar term and in a similar economic environment on a collateralized basis. ROU assets, for both operating and finance leases, are initially measured based on the lease liability, adjusted for initial direct costs, prepaid rent, and lease incentives received. Operating leases are subsequently amortized into lease cost on a straight-line basis. Depreciation of the finance lease ROU assets is subsequently calculated using the straight-line method over the shorter of the estimated useful lives or the expected lease terms and recorded in "Depreciation and amortization" on the Consolidated

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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Statements of Operations. Financing lease liabilities are amortized using the effective interest method with the related expense recognized in "Interest expense" on the Consolidated Statement of Operations.

In addition to the fixed minimum payments required under the lease arrangements, certain leases require variable lease payments, which are payment of the excess of various percentages of gross revenue or net operating income over the minimum rental payments as well as payment of taxes assessed against the leased property. The leases generally also require the payment for the cost of insurance and maintenance. Variable lease payments are recognized when the associated activity occurs and the contingency is resolved.

The Company has elected to combine lease and non-lease components for all lease contracts. Additionally, the Company has elected to apply the short-term lease exception to all leases with a term of one year or less.

**Intangibles, Net** — Intangible assets consist primarily of management contracts, membership base and internally-developed software. The management contract intangible represents the Company's golf course management contracts for both leased and managed properties. The management contract intangible for leased and managed properties was valued using the discounted cash flow method under the income approach and is amortized over the term of the underlying lease or management agreements, respectively. The membership base intangible represents the Company's relationship with its private country club members. The membership base intangible was valued using the multi-period excess earnings method under the income approach and is amortized over the expected life of an active membership. Internally-developed software represents proprietary software developed for the Company's exclusive use. Internally-developed software is amortized over the expected useful life of the software.

Amortization of intangible assets is included within depreciation and amortization in the Consolidated Statements of Operations. Amortization of all intangible assets is calculated using the straight-line method based on the following estimated useful lives:

Trade name	30 years
Management contracts	2 - 26 years
Internally-developed software	3 - 5 years
Membership base	7 years
Liquor licenses	Indefinite

**Impairment of Long-lived Assets** — The Company periodically reviews the carrying amounts of its long-lived assets or asset groups, as well as finite-lived intangible assets and right-of-use assets, to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. The assessment of recoverability is based on management's estimates by comparing the sum of the estimated undiscounted cash flows generated by the underlying asset, or other appropriate grouping of assets, to its carrying value to determine whether an impairment existed at its lowest level of identifiable cash flows. If the carrying amount is greater than the expected undiscounted cash flows, the assets are considered impaired and an impairment is recognized to the extent the carrying value of such asset exceeds its fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Membership Deposit Liabilities** — Until 2021, private country club members generally paid an advance initiation deposit upon their acceptance as a member to the respective country club that is refundable 30 years after the date of acceptance as a member. The difference between the initiation deposit paid by the member and the present value of the refund obligation is deferred and recognized into golf operations revenue in the Consolidated Statements of Operations on a straight-line basis over the expected life of an active membership, which is estimated to be seven years. The present value of the refund obligation is recorded as a membership deposit liability in the Consolidated Balance Sheets and accretes over a 30-year nonrefundable term using the effective interest method. This accretion is recorded as interest expense in the Consolidated Statements of Operations.

In 2002, American Golf Corporation ("AGC"), when it was owned by a previous owner, entered into a Restated Membership Deposit Assumption Agreement, with two trusts established by a previous owner of AGC (the "Trusts") under which the Trusts agreed to unconditionally assume the obligations of AGC to refund certain membership deposit liabilities ("MDLs") in exchange for consideration. The MDLs assumed were refundable 30 years from the date of acceptance of the member with the first liabilities assumed by the Trusts becoming refundable in 2020. The total redemption value of membership deposit liabilities assumed by the Trusts was \$181.9 million. No asset was recorded at the time of our acquisition of AGC in recognition of this assumption agreement for the \$181.9 million of liabilities assumed by the Trusts for the following reasons: 1) the substantial time period between the assumption of the liabilities and the first liabilities becoming refundable; 2) the inability of AGC to verify and monitor the assets of the Trusts to ensure the ability to perform under the terms of the assumption agreements; 3) the fact that the Trusts are not required to maintain any assets that would support such performance; 4) the Trust settlors were not required contractually to fund the Trusts; and 5) the Company does not have the ability to determine the likelihood that the Trusts will meet their obligations. In the event the Trusts are not able to fulfill their obligations, the Company would be responsible for refunding the outstanding balance of the MDL and therefore, recognizes these MDLs on its balance sheet. Though the Trusts initially assumed \$181.9 million of MDLs the balance of related MDLs carried on the books of AGC, as of December 31, 2024, has been reduced to an undiscounted nominal value of \$113.7 million through various assignments to third parties and partial membership refunds due to membership transfers. To-date, the Trust has met all of their obligations that have come due for which the Trust assumed responsibility under the Restated Membership Deposit Assumption Agreement. As of December 31, 2024, the Trusts had refunded a total of approximately \$1.2 million of MDLs, all of which they were obligated to pay under the terms of the assumption agreements.

**Cash and Cash Equivalents and Restricted Cash** — The Company considers all highly liquid short-term investments with maturities of 90 days or less when purchased to be cash equivalents. Substantially all amounts on deposit with major financial institutions exceed insured limits. The Company has not experienced any losses in the accounts and believe that the Company is not exposed to significant credit risk because the accounts are at major financial institutions. Restricted cash is used as credit enhancement for the performance of lease agreements and certain insurance claims. Restricted cash consisted of:

	December 31,	
	2024	2023
CDO trustee accounts	\$ —	\$ 80
Restricted cash for construction-in-progress	1,839	1,619
Restricted cash - traditional golf	640	957
Restricted cash - entertainment golf	371	764
Restricted cash	<u>\$ 2,850</u>	<u>\$ 3,420</u>

**Accounts Receivable, Net** — Accounts receivable are stated at amounts due from customers, net of an allowance for credit losses of \$0.1 million and \$0.3 million as of December 31, 2024 and 2023, respectively. The allowance for credit losses is based

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upon several factors including the length of time the receivables are past due, historical payment trends, current economic factors, and our expectations of future events that affect collectability. Collateral is generally not required. Accounts receivable, net totaled \$8.3 million at January 1, 2023.

**Other Current Assets**

The following table summarizes the Company's other current assets:

	December 31,	
	2024	2023
Managed property receivables	6,134	13,280
Prepaid expenses	8,860	8,860
Inventory	3,202	3,108
Miscellaneous current assets, net	105	241
Other current assets	<u>\$ 18,301</u>	<u>\$ 25,489</u>

**Managed Property Receivables** – Managed property receivables consists of amounts due from traditional golf managed properties.

**Prepaid Expenses** – Prepaid expenses consists primarily of prepaid insurance and prepaid rent and are expensed over the usage period of the goods or services.

**Inventory** – Inventory is valued at lower of cost or net realizable value. Cost is determined on the first-in, first-out ("FIFO") method. Inventories consist primarily of food, beverages and merchandise for sale.

**Other Assets**

The following table summarizes the Company's other assets:

	December 31,	
	2024	2023
Deposits	9,705	9,695
Miscellaneous assets, net	438	1,270
Other assets	<u>\$ 10,143</u>	<u>\$ 10,965</u>

**Deposits** – Deposits consist primarily of property lease security deposits and deposits on hand with credit card processors.

**Accounts Payable and Accrued Expenses** — Accounts payable reflect expenses related to goods and services received that have not yet been paid and accrued expenses reflect expenses related to goods received and services performed for which invoices have not yet been received.

**Deferred Revenue** — Payments received in advance of the performance of services are recorded as deferred revenue until the performance obligation has been satisfied and includes event deposits, gift cards, game credits, prepaid membership dues, and initiation fees which are non-refundable (unless the related membership is transferred with various restrictions) and recorded as revenue over the expected seven year life of an active membership. Current deferred revenue is recognized within 12 months of collection. Long-term deferred revenue relates to unrecognized initiation fees and prepaid marketing fees received under a

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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private course agreement. The following table provides a reconciliation of the activity related to long-term deferred revenue for the periods presented:

	Year Ended December 31,		
	2024	2023	2022
Balance as of January 1	\$ 14,989	\$ 11,303	\$ 10,005
Initiation fees received	8,643	5,397	4,809
Refunds of initiation fees	(259)	(239)	(239)
Revenue recognized	(4,447)	(3,556)	(2,430)
Reclassifications and other	(615)	2,084	(842)
Balance as of December 31	<u>\$ 18,311</u>	<u>\$ 14,989</u>	<u>\$ 11,303</u>

**Other Current Liabilities**

The following table summarizes the Company's other current liabilities:

	December 31,	
	2024	2023
Operating lease liabilities	\$ 18,200	\$ 11,674
Insurance financing	2,258	2,794
Related party payable under management agreement (Note 15)	11,790	—
Miscellaneous current liabilities	2,970	1,732
Other current liabilities	<u>\$ 35,218</u>	<u>\$ 16,200</u>

**Operating Lease Liabilities** – Operating lease liabilities relate to ground leases and/or related facilities and office leases. See Note 6 for additional information.

**Preferred Stock** — The Company's accounting policy for its preferred stock is described in Note 11.

**Income Taxes** – The Company accounts for income taxes pursuant to the asset and liability method which requires the recognition of deferred income tax assets and liabilities related to the expected future tax consequences arising from temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates applicable to the periods in which the temporary differences are expected to reverse. A valuation allowance is recognized if the Company determines it is more likely than not that all or a portion of a deferred tax asset will not be recognized.

The Company recognizes tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes in the Consolidated Statements of Operations. See Note 13 for additional information.

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**Amortization of Discount and Premium and Other Amortization** — As reflected in the Consolidated Statements of Cash Flows, these items are comprised of the following:

	Year Ended December 31,		
	2024	2023	2022
Accretion of net premium on securities, loans and other investments	\$ —	\$ —	\$ (765)
Amortization of net discount (premium) on debt obligations and deferred financing costs	512	253	(5)
Amortization of discount and premium	<u>\$ 512</u>	<u>\$ 253</u>	<u>\$ (770)</u>
Accretion of membership deposit liability	\$ 9,005	\$ 6,443	\$ 10,463

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 3. REVENUES

The majority of the Company's revenue is recognized at the point of sale to customers at the Company's entertainment golf venues and traditional golf properties, including green fees, cart rentals, bay play, gameplay, events and sales of food, beverages and merchandise. Revenue from membership dues is recognized in the month earned. Membership dues received in advance are included in deferred revenue and recognized as revenue ratably over the appropriate period, which is generally twelve months or less for private club members and the following month for The Players Club members.

The Company's revenue is all generated within the entertainment and traditional golf segments. The following table disaggregates revenue by category: entertainment golf venues, public and private golf properties (owned and leased) and managed golf properties.

	For Year Ended December 31,									
	2024					2023				
	Ent. golf venues	Public golf properties	Private golf properties	Managed golf properties (A)	Total	Ent. golf venues	Public golf properties	Private golf properties	Managed golf properties (A)	Total
Golf operations	\$32,369	131,055	\$61,206	\$27,212	\$251,842	\$34,174	\$120,526	\$56,395	\$65,429	\$276,524
Sales of food and beverages	47,568	35,102	9,131	—	91,801	50,973	32,771	9,204	—	92,948
Total revenues	<u>\$79,937</u>	<u>\$166,157</u>	<u>\$70,337</u>	<u>\$27,212</u>	<u>\$343,643</u>	<u>\$85,147</u>	<u>\$153,297</u>	<u>\$65,599</u>	<u>\$65,429</u>	<u>\$369,472</u>

  

	For Year Ended December 31,					
	2022					
	Ent. golf venues	Public golf properties	Private golf properties	Managed golf properties (A)	Corporate	Total
Golf operations	\$27,233	\$105,771	\$48,799	\$66,380	\$797	\$248,980
Sales of food and beverages	40,070	28,714	7,979	—	—	76,763
Total revenues	<u>\$67,303</u>	<u>\$134,485</u>	<u>\$56,778</u>	<u>\$66,380</u>	<u>\$797</u>	<u>\$325,743</u>

(A) Includes \$23.1 million, \$59.8 million, and \$59.7 million for the years ended December 31, 2024, 2023, and 2022, respectively, due to management contract reimbursements reported under revenue accounting standard, ASC 606.

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**4. SEGMENT REPORTING**

The Company currently has three reportable segments: (i) entertainment golf venues, (ii) traditional golf properties, and (iii) corporate. The chief operating decision maker ("CODM") for each segment is the Interim Chief Executive Officer, who reviews discrete financial information for each reportable segment to manage the Company, including resource allocation and performance assessment.

The Company's entertainment golf segment, launched in 2018, is comprised of Drive Shack venues that feature tech-enabled hitting bays with in-bay dining, full-service restaurants, bars, and event spaces and Puttery venues that feature indoor putting courses anchored by bars and other social spaces as well as a full-service kitchen that serve to create engaging and fun experiences for guests. As of December 31, 2024, the Company owned or leased four Drive Shack venues across three states which are located in Orlando, Florida; West Palm Beach, Florida; Raleigh, North Carolina; and Richmond, Virginia, and leased ten Puttery venues across eight states and the District of Columbia located in The Colony, Texas; Charlotte, North Carolina; Washington, D.C.; Chicago, Illinois; Pittsburgh, Pennsylvania; Houston, Texas; Kansas City, Missouri; Miami, Florida; New York City, New York; and Minneapolis, Minnesota.

The Company's traditional golf segment operates golf courses and country clubs in the United States. As of December 31, 2024, the Company owned, leased or managed 42 traditional golf properties across seven states.

The corporate segment consists primarily of general and administrative expenses, interest expense on junior subordinated notes payables (note 8) and management fees pursuant to the Management Agreement (Note 15).

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is the segment measure of profit or loss reported to the chief operating decision maker for purposes of assessing the segments' performance and making capital allocation decisions. Adjusted EBITDA is a non-GAAP financial measure that shows adjusted earnings before interest, taxes, depreciation, amortization, pre-opening costs, loss on lease terminations and impairment, interest and investment income and other (expense) income, net related to the strategic review of the Company. Management believes Adjusted EBITDA is a useful measure of Drive Shack Inc.'s operating results as presented below as it provides additional relevant and useful information to investors and other users of the Company's financial data in evaluating the effectiveness of its operations and underlying business trends in a manner that is consistent with management's evaluation of business performance.

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Summary financial data on the Company's segments is given below, together with reconciliation to the same data for the Company as a whole:

	Entertainment Golf	Traditional Golf	Corporate	Total
<b><u>Year Ended December 31, 2024</u></b>				
<b>Revenues</b>				
Golf operations	\$ 32,369	\$ 219,473	\$ —	\$ 251,842
Sales of food and beverages	47,568	44,233	—	91,801
<b>Total revenues</b>	<b>79,937</b>	<b>263,706</b>	<b>—</b>	<b>343,643</b>
<b>Less:</b>				
Operating expenses	58,792	208,195	—	266,987
Cost of sales - food and beverages	10,769	11,832	—	22,601
General and administrative expense (A)	—	—	12,592	12,592
Management fee to affiliate	—	—	13,796	13,796
<b>Segment Adjusted EBITDA</b>	<b>10,376</b>	<b>43,679</b>	<b>(26,388)</b>	<b>27,667</b>
Reconciliation of Segment Adjusted EBITDA to Loss before income tax				
Depreciation and amortization				28,376
Pre-opening costs (B)				1,755
Impairment and other losses				24,162
Interest and investment income				(35)
Interest expense (C)				17,485
Other (expense) income, net				(398)
<b>Loss before income tax</b>				<b>(43,678)</b>

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	Entertainment Golf	Traditional Golf	Corporate	Total
<b>Year Ended December 31, 2023</b>				
<b>Revenues</b>				
Golf operations	\$ 34,174	\$ 242,350	\$ —	\$ 276,524
Sales of food and beverages	\$ 50,973	\$ 41,975	\$ —	\$ 92,948
<b>Total revenues</b>	<b>\$ 85,147</b>	<b>\$ 284,325</b>	<b>\$ —</b>	<b>\$ 369,472</b>
<b>Less:</b>				
Operating expenses	\$ 54,952	\$ 234,197	\$ —	\$ 289,149
Cost of sales - food and beverages	\$ 10,868	\$ 11,265	\$ —	\$ 22,133
General and administrative expense (A)	\$ —	\$ 11,858	\$ 11,542	\$ 23,400
<b>Segment Adjusted EBITDA</b>	<b>\$ 19,327</b>	<b>\$ 27,005</b>	<b>\$ (11,542)</b>	<b>\$ 34,790</b>
<b>Reconciliation of Segment Adjusted EBITDA to Loss before income tax</b>				
Depreciation and amortization			\$	30,025
Pre-opening costs (B)			\$	6,528
Loss on lease terminations and impairment			\$	34,093
Interest and investment income			\$	(379)
Interest expense (C)			\$	13,167
Other (expense) income, net			\$	(6,227)
<b>Loss before income tax</b>			<b>\$</b>	<b>(42,417)</b>



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	Entertainment Golf	Traditional Golf	Corporate	Total
<b><u>Year Ended December 31, 2022</u></b>				
Revenues				
Golf operations	\$ 27,233	\$ 220,950	\$ 797	\$ 248,980
Sales of food and beverages	40,070	36,693	—	76,763
<b>Total revenues</b>	<b>67,303</b>	<b>257,643</b>	<b>797</b>	<b>325,743</b>
Less:				
Operating expenses	40,502	221,555	(268)	261,789
Cost of sales - food and beverages	8,882	10,493	—	19,375
General and administrative expense (A)	6,090	15,027	17,727	38,844
<b>Segment Adjusted EBITDA</b>	<b>11,829</b>	<b>10,568</b>	<b>(16,662)</b>	<b>5,735</b>
Reconciliation of Segment Adjusted EBITDA to Loss before income tax				
Depreciation and amortization				25,683
Pre-opening costs (B)				6,436
Impairment and other losses				17,176
Interest and investment income				(2,116)
Interest expense (C)				13,666
Other (expenses) income, net				(5,099)
<b>Loss before income tax</b>				<b>(50,011)</b>

- (A) General and administrative expenses include severance expense in the amount of \$0.06 million, \$0.3 million, and \$0.9 million for the years ended December 31, 2024, 2023 and 2022, respectively.
- (B) Pre-opening costs are expensed as incurred and consist primarily of site-related marketing expenses, lease expense, employee payroll, travel and related expenses, training costs, food, beverage and other operating expenses incurred prior to opening an entertainment golf venue.
- (C) Interest expense includes the accretion of membership deposit liabilities in the amount of \$9.0 million, \$6.4 million, and \$10.5 million for the years ended December 31, 2024, 2023 and 2022, respectively. Interest expense and capitalized interest total to interest expense, net on the Consolidated Statements of Operations.

Assets for each of the Company's segments, together with reconciliation to the same data for the Company as a whole:

	December 31,	
	2024	2023
Entertainment Golf	\$ 169,789	\$ 211,239
Traditional Golf	203,969	212,680
Corporate	28,274	11,954
<b>Total assets</b>	<b>\$ 402,032</b>	<b>\$ 435,873</b>

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**5. PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION**

The following table summarizes the Company's property and equipment:

	December 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Value	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Value
Land	\$ 6,770	\$ —	\$ 6,770	\$ 6,770	\$ —	\$ 6,770
Buildings and improvements	193,003	(66,112)	126,891	176,087	(54,152)	121,935
Furniture, fixtures and equipment	74,538	(50,227)	24,311	65,709	(38,769)	26,940
Finance leases - equipment	14,632	(7,833)	6,799	24,597	(14,804)	9,793
Construction in progress	2,460	—	2,460	32,242	—	32,242
Total Property and equipment	<u>\$ 291,403</u>	<u>\$ (124,172)</u>	<u>\$ 167,231</u>	<u>\$ 305,405</u>	<u>\$ (107,725)</u>	<u>\$ 197,680</u>

Depreciation is calculated on a straight-line basis using the estimated useful lives detailed in Note 2. Depreciation expense, which included amortization of assets recorded under finance leases, was \$26.9 million, \$28.1 million and \$22.2 million for the years ended December 31, 2024, 2023 and 2022, respectively.

**6. LEASES**

The Company's commitments under lease arrangements are primarily ground leases for entertainment golf venues and traditional golf properties and related facilities, office leases and leases for golf carts and equipment. The majority of lease terms for our entertainment golf venues and traditional golf properties and related facilities initially range from 10 to 20 years and include up to eight 5-year renewal options. In addition to minimum payments, certain leases require payment of the excess of various percentages of gross revenue or net operating income over the minimum rental payments. The leases generally require the payment of taxes assessed against the leased property and the cost of insurance and maintenance. Certain leases include scheduled increases or decreases in minimum rental payments at various times during the term of the lease.

Equipment and golf cart leases initially range between 24 to 66 months and typically contain renewal options which may be on a month-to-month basis.

An option to renew a lease is included in the determination of the ROU asset and lease liability when it is reasonably certain that the renewal option will be exercised.

During the year ended December 31, 2023, the Company commenced one new operating lease for a Puttery location in Miami, Florida. At commencement, the present value of future payments under the lease totaled \$6.5 million based on a discount rate of 9.45%.

During the year ended December 31, 2024, no new operating leases were commenced. The renewal options for several traditional golf leases were either exercised or determined to be reasonably certain of exercise in the future. As a result, operating lease right-of-use assets obtained in exchange for lease liabilities totaled \$28.8 million based on discount rates of 10.56% to 11.13%.

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Lease related costs recognized in the Consolidated Statements of Operations for the years ended December 31, 2024, 2023 and 2022 are as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
<b>Finance lease cost</b>			
Amortization of right-of-use assets	\$ 3,002	\$ 4,104	\$ 4,633
Interest on lease liabilities	521	560	895
<b>Total finance lease cost</b>	<b>3,523</b>	<b>4,664</b>	<b>5,528</b>
<b>Operating lease cost</b>			
Operating lease cost	36,451	36,713	36,087
Short-term lease cost	7,726	1,450	—
Variable lease cost	22,648	22,584	23,400
<b>Total operating lease cost</b>	<b>66,825</b>	<b>60,747</b>	<b>59,487</b>
<b>Total lease cost</b>	<b>\$ 70,348</b>	<b>\$ 65,411</b>	<b>\$ 65,015</b>

Other information related to leases included on the Consolidated Balance Sheet and Statement of Cash Flows as of and for the year ended December 31, 2024 is as follows:

	Operating Leases	Financing Leases
Right-of-use assets	\$ 175,861	\$ 6,799
Lease liabilities	207,193	6,303
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows	28,495	521
Financing cash flows	—	3,730
Right-of-use assets obtained in exchange for lease liabilities	28,822	3,725
Weighted average remaining lease term	10.36	2.19
Weighted average discount rate	8.84%	5.79%

Other information related to leases included on the Consolidated Balance Sheet and Statement of Cash Flows as of and for the year ended December 31, 2023 is as follows:

	Operating Leases	Financing Leases
Right-of-use assets	\$ 162,241	\$ 9,793
Lease liabilities	188,142	9,181
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows	20,299	560
Financing cash flows	—	5,540
Right-of-use assets obtained in exchange for lease liabilities	3,725	4,311
Weighted average remaining lease term	7.55	2.9
Weighted average discount rate	8.94%	6.12%

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Future minimum lease payments under non-cancellable leases as of December 31, 2024 are as follows:

	Operating Leases	Financing Leases
2025	\$ 35,176	\$ 3,027
2026	34,935	2,116
2027	34,306	1,178
2028	34,607	461
2029	31,781	117
Thereafter	141,366	—
Total minimum lease payments	312,171	6,899
Less: Imputed interest	104,565	596
Less: Tenant improvement allowance	413	—
Total lease liabilities	\$ 207,193	\$ 6,303

## 7. INTANGIBLES, NET OF ACCUMULATED AMORTIZATION

The following table summarizes the Company's intangible assets:

	December 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade name	\$ 700	\$ (257)	\$ 443	\$ 700	\$ (233)	\$ 467
Management contracts	18,211	(11,146)	7,065	21,887	(13,778)	8,109
Internally-developed software	1,168	(570)	598	3,612	(1,557)	2,055
Membership base	785	(240)	545	785	(180)	605
Indefinite lived liquor licenses	1,264	—	1,264	1,264	—	1,264
Total intangibles	\$ 22,128	\$ (12,213)	\$ 9,915	\$ 28,248	\$ (15,748)	\$ 12,500

Amortization expense for the years ended December 31, 2024, 2023, and 2022 was \$1.5 million, \$1.9 million and \$1.9 million, respectively.

The unamortized balance of intangible assets at December 31, 2024 is expected to be amortized as follows:

2025	\$ 1,259
2026	993
2027	935
2028	804
2029	729
Thereafter	3,931
Total amortizable intangible assets	8,651
Nonamortizable liquor and other licenses	1,264
Total intangible assets	\$ 9,915

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## 8. DEBT OBLIGATIONS

The following table presents certain information regarding the Company's debt obligations excluding finance leases.

See Note 6 for the future minimum lease payments required under the finance leases and the present value of the net minimum lease payments as of December 31, 2024.

	December 31, 2024								December 31, 2023	
<u>Debt Obligation/Collateral</u>	Month Issued	Outstanding Face Amount	Carrying Value	Final Stated Maturity	Weighted Average Coupon	Weighted Average Funding Cost (A)	Weighted Average Life (Years)	Face Amount of Floating Rate Debt	Outstanding Face Amount	Carrying Value
<u>Credit Facilities and</u>										
Finance Leases										
Vineyard II	Dec 1993	200	200	Dec 2043	3.45%	3.45 %	19	200	200	200
Junior subordinated notes payable (B)	Mar 2006	51,004	51,139	Apr 2035	SOFR+2.25%	7.07 %	10.3	51,004	51,004	51,150
Entertainment Golf Facility	Mar 2023	—	—					—	26,500	24,811
Total debt obligations		51,204	51,339					51,204	77,704	76,161
Less current portion of debt		—	—						(1,325)	(1,325)
Debt obligations - noncurrent		51,204	51,339						76,379	74,836

(A) Including the effect of deferred financing cost.

(B) Collateral for this obligation is the Company's general credit.

Vineyard II

Traditional golf is obligated under a \$0.2 million loan with the City of Escondido, California ("Vineyard II"). The principal amount of the loan is payable in five equal installments upon reaching the "Achievement Date", which is the date on which the number of rounds of golf played on the property during the previous 36-month period equals or exceeds 240,000. As of December 31, 2024, the Achievement Date has not been reached. The interest rate is adjusted annually and is equal to 1% plus a short-term investment return, as defined in the loan agreement. As of December 31, 2024, the interest rate is 3.45%.

Junior subordinated notes payable

On April 30, 2009, the Company entered into an Exchange Agreement (the "Exchange Agreement") with several collateralized debt obligations managed by Taberna Capital Management, LLC (together "Taberna"), pursuant to which the Company agreed to exchange newly issued junior subordinated notes (the "Notes") due 2035 in an initial aggregate principal amount of \$101.7 million for \$100 million in aggregate liquidation amount of trust preferred securities that were previously issued by a subsidiary of the Company (the "TRUPs") and were owned by Taberna. In conjunction with the exchange, the TRUPs were cancelled.

The Notes were issued pursuant to the Junior Subordinated Indenture, dated April 30, 2009, between the Company and The Bank of New York Mellon Trust Company, National Association ("BNYM"), as trustee (the "Indenture"). After an initial period expiring in April 2016, the Notes bear interest at a variable rate equal to the LIBOR (subsequently modified to Secured Overnight

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Financials Rate, or "SOFR") plus 2.25% annually and all principal repayment is due at maturity. At December 31, 2024, the interest rate was 7.10%.

On January 10, 2010, the Company entered into an exchange agreement pursuant to which the Company exchanged \$52.1 million face amount of the Notes (i) \$9.7 million in cash and (ii) the reissuance of \$37.6 million face amount of CDO bonds payable which had previously been repurchased by the Company.

Entertainment Golf Facility

On March 8, 2023, Drive Shack Inc. announced that its entertainment golf business ("New Drive Shack Holdings or "NDSH") had obtained financing in the amount of \$26.5 million to fund the continued expansion of the Puttery business, in the form of a five-year senior secured delayed draw term loan facility in an aggregate principal amount of \$26.5 million (the "Entertainment Golf Facility") to meet our near term liquidity requirements to fund our planned growth, including new venue development and construction, product innovation, and general corporate needs.

On March 3, 2023, the Company borrowed term loans in the aggregate principal amount of \$16 million under the Entertainment Golf Facility. The remaining amount of the Entertainment Golf Facility was drawn on November 28, 2023.

On September 18, 2024, the Company repaid \$5.0 million of principal on the Entertainment Golf Facility ahead of its contractual maturity date. On November 12, 2024, the Company repaid all remaining principal, \$20.5 million, on the Entertainment Golf Facility ahead of its contractual maturity date, including a prepayment premium of \$0.2 million at a negotiated discount from the contractually obligated \$0.6 million premium that was otherwise required under the loan agreement. These repayments resulted in a loss from the early extinguishment of debt of \$1.6 million during the year ended December 31, 2024 which is included Other income (expense), net on the Consolidated Statement of Operations.

Borrowings under the Entertainment Golf Facility bore interest at a per annum rate equal to 3-month SOFR plus 8.50%, subject to a credit spread adjustment of 100 bps and, if applicable, a 2% SOFR floor. Interest was paid monthly. The Facility amortized on a quarterly basis at rate of 5% per year beginning in 2024.

Maturity Table

The Company's debt obligations have contractual maturities as follows:

	Total
2025	\$ —
2026	—
2027	—
2028	—
2029	—
Thereafter	51,204
Total	<u>\$ 51,204</u>

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**9. REAL ESTATE SECURITIES**

As of December 31, 2022, the Company held certain Asset Backed Securities ("ABS") – Non-Agency Residential Mortgage Backed Securities ("RMBS") securities (the ABS - Non-Agency RMBS is a floating rate security and the collateral securing it is located in various geographic regions in the U.S. The Company does not have significant investments in any one geographic region). As of December 31, 2022, this security was classified as available for sale. During the year ended December 31, 2023, the security was reclassified to trading. As of December 31, 2023, the remaining ABS – Non-Agency RMBS securities had a face amount and fair value of \$0.4 million, all of which was redeemed in January 2024 with no additional gain or loss recognized.

**10. FAIR VALUE OF FINANCIAL INSTRUMENTS*****Fair Value Measurements***

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Company follows this hierarchy for its financial instruments measured at fair value.

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on observable market parameters, including:

- quoted prices for similar assets or liabilities in active markets,
- inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads), and
- market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations determined using unobservable inputs that are supported by little or no market activity, and that are significant to the overall fair value measurement.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, and certain other short-term liabilities approximate fair value due to their high liquidity and short-term nature, and are therefore categorized within Level 1 of the fair value hierarchy.

The following table summarizes the carrying values and estimated fair values of the Company's financial instruments December 31, 2024 and 2023, including those measured at fair value on a recurring basis within the financial statements and fair value measurements requiring disclosure only:

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	December 31, 2024			December 31, 2023	
	Carrying Value	Estimated Fair Value	Fair Value Method (A)	Carrying Value	Estimated Fair Value
<b>Assets</b>					
Real estate securities, trading	\$ —	\$ —	Pricing models - Level 3	\$ 392	\$ 392
<b>Liabilities</b>					
Entertainment Golf Facility	\$ —	\$ —	Pricing models - Level 3	\$ 24,811	\$ 26,500
Junior subordinated notes payable	\$ 51,139	\$ 37,976	Pricing models - Level 3	\$ 51,150	\$ 33,616

(A) Pricing models are used for (i) real estate securities that are not traded in an active market, and, therefore, have little or no price transparency, and for which significant unobservable inputs must be used in estimating fair value, or (ii) debt obligations which are private and untraded.

The Company's real estate securities and debt obligations are currently not traded in active markets and therefore have little or no price transparency. As a result, the Company has estimated the fair value of these illiquid instruments based on internal pricing models subject to the Company's controls.

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodologies used to determine fair value and such changes could result in a significant increase or decrease in the fair value. For the Company's investments in real estate securities categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs include the discount rates, assumptions relating to prepayments, default rates and loss severities. For the Company's debt obligations, the significant unobservable inputs include interest rates, the amount and timing of expected future cash flows, and market yields and the credit spread of the Company.

All of the inputs used have some degree of market observability, based on the Company's knowledge of the market, relationships with market participants, and use of common market data sources. Collateral prepayment, default and loss severity projections are in the form of "curves" or "vectors" that vary for each monthly collateral cash flow projection. Methods used to develop these projections vary by asset class but conform to industry conventions. The Company uses assumptions that generate its best estimate of future cash flows of each respective security.

During the year ended December 31, 2023, the Company reclassified the real estate securities measured at fair value on a recurring basis using Level 3 inputs to trading and redeemed \$1.6 million of real estate securities and recognized a total gain of \$0.4 million on the security, which is recognized in Interest and investment income.



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***Nonrecurring Fair Value Measurements***

At December 31, 2024, property and equipment and operating lease right of use assets with a carrying amount totaling \$41.1 million were written down to their fair value of \$19.5 million based on Level 3 measurements, resulting in an impairment charge of \$21.8 million which is included in earnings for the year ended December 31, 2024 (see Note 12).

At December 31, 2023, property and equipment and operating lease right of use assets with a carrying amount totaling \$43.9 million were written down to their fair value of \$12.1 million based on Level 3 measurements, resulting in an impairment charge of \$31.8 million which is included in earnings for the year ended December 31, 2023 (see Note 12).

The estimated fair value of asset groups was determined through the combination of a discounted cash flow model and a market-based approach, which utilized Level 3 inputs including future cash flow projections for the asset groups and discount rates of 16.02% for the year ended December 31, 2024 and 13.41% for the year ending December 31, 2023. If future results vary significantly from current projections and estimates, the Company may be required to record additional impairment charges.

**11. EQUITY AND EARNINGS PER SHARE****Earnings per Share**

The Company is required to present both basic and diluted earnings per share ("EPS"). Basic earnings per share of common stock is computed by dividing net income or loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding. Diluted earnings per share of common stock is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding adjusted to give effect to potentially dilutive securities.

The following table shows the amounts used in computing basic and diluted EPS:

	For Year Ended December 31,		
	2024	2023	2022
Numerator for basic and diluted earnings per share:			
Loss applicable to common stockholders	\$ (50,008)	\$ (48,050)	\$ (57,481)
Denominator:			
Denominator for basic earnings per share - weighted average shares	169,961,043	114,618,112	92,351,215
Denominator for diluted earnings per share - adjusted weighted average shares	169,961,043	114,618,112	92,351,215
Basic earnings per share:			
Loss applicable to common stockholders	\$ (0.29)	\$ (0.42)	\$ (0.62)
Diluted earnings per share:			
Loss applicable to common stockholders	\$ (0.29)	\$ (0.42)	\$ (0.62)

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Basic EPS is calculated by dividing net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding during each period. Diluted EPS is calculated by dividing net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding plus the additional dilutive effect of dilutive securities during each period. The Company's dilutive securities are its options, RSUs, and restricted stock. The Company had the following potentially dilutive securities outstanding during the periods noted which were excluded from our calculation of diluted EPS as their effect would have been antidilutive:

	Year Ended December 31,		
	2024	2023	2022
Options	447,733	1,809,932	3,074,994
RSUs	1,044,181	139,397	170,296
Restricted Stock	28,449,178	—	—
Total potentially dilutive securities	29,941,092	1,949,329	3,245,290

**Common Stock Issuances**

In 2023, the Company issued 291,594 shares of its common stock related to previously granted options and RSUs.

In 2023, the Company commenced a rights offering to qualified institutions that held common stock as of July 28, 2023. The rights entitled qualified institutions to purchase, in the aggregate, up to 67.5 million shares of common stock at a price equal to \$0.20 per whole share. The rights offering closed on September 11, 2023 and total gross proceeds from the participation were \$13.5 million from the sale of 66,998,529 shares. Net proceeds from this rights offering totaled \$13.2 million.

In 2023, the Company issued a total of 149,660 of its common stock to its independent directors upon vesting of RSUs that were granted in 2021.

All outstanding shares of our Common Stock are duly authorized, fully paid and nonassessable. Holders of our Common Stock are entitled to receive, when, as and if declared by the board of directors, dividends out of assets legally available for the payment of dividends. They are also entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our stock.

Each outstanding share of Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our Common Stock will possess exclusive voting power. There is no cumulative voting in the election of directors, and directors are elected by a plurality of votes cast.

Holders of our Common Stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. All shares of Common Stock will have equal dividend, liquidation and other rights.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders holding at least two thirds of the shares entitled to vote on the matter. However, a

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Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter provides that these matters may be approved by a majority of all of the votes entitled to be cast on the matter.

**Stock Options**

The following is a summary of the changes in the Company's outstanding options for the year ended December 31, 2024:

	Number of Options	Weighted Average Strike Price
Balance at December 31, 2023	765,749	\$ 3.95
Expired	(765,749)	3.95
Balance at December 31, 2024	—	\$ —
Outstanding and exercisable at December 31, 2024	—	\$ —

Stock-based compensation expense is recognized on a straight-line basis from grant date through the vesting date of the options. Stock-based compensation expense related to the employee options was \$0.0 million during the years ended December 31, 2024 and 2023 and \$0.3 million (gross of the reversals of stock compensation expenses described below), during the year ended December 31, 2022, and was recorded in general and administrative expense on the Consolidated Statements of Operations. During the year ended December 31, 2022, the Company reversed \$0.6 million in stock compensation expense related to certain previously issued options. There are no unvested stock options or no unrecognized stock-based compensation expense related to the unvested options at December 31, 2024.

The closing price on the OTC for the Company's common stock as of December 31, 2024 was \$0.10 per share.

**Restricted Stock Units (RSUs)**

The following is a summary of the changes in the Company's RSUs for the year ended December 31, 2024:

	Number of RSUs	Weighted Average Grant Date Fair Value (per unit)
Balance at December 31, 2023	11,878	\$ 4.77
Granted	11,449,178	\$ 0.21
Vested	(11,449,178)	\$ 0.21
Forfeited (A)	—	\$ —
Outstanding and exercisable at December 31, 2024	11,878	\$ 4.77

(A) Unvested RSUs are forfeited by non-employee directors upon their departure from the board of directors and forfeited by employees upon their termination.

The Company granted RSUs to the non-employee directors as part of their annual compensation. The RSUs are subject to a two year vesting period. From time to time, the Company also grants RSUs to the employees. These RSUs vest in equal annual installments on each of the first three anniversaries of the grant date. During the year ended December 31, 2024, there was no RSU activity outside of the RSUs issued to Michael Compton as discussed below. During the year ended December 31, 2023, the

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Company did not grant RSUs to non-employee directors and 149,660 non-employee director RSUs vested and were released. During the year ended December 31, 2023, the Company did not grant RSUs to employees and no such RSUs were vested.

Stock-based compensation expense related to the RSUs, excluding those issued to Michael Compton as discussed below, was \$0.0 million, \$0.1 million, and \$0.2 million (gross of the reversals of stock compensation expenses described below) during the years ended December 31, 2024, 2023, and 2022 respectively, and was recorded in general and administrative expense on the Consolidated Statements of Operations. During the year ended December 31, 2022, the Company reversed \$0.3 million in stock compensation expense related to certain previously issued RSUs. There is no unrecognized stock-based compensation expense related to RSUs as of December 31, 2024.

On January 1, 2024, the Company granted 11,449,178 RSUs to Michael Compton as compensation for historical services as interim CEO and advisory work prior thereto beginning in Q1 2023, in lieu of cash compensation. The RSUs vested on February 2, 2024. Expense related to this 2023 service was accrued in 2023 in general and administrative expense on the Consolidated Statement of Operations but was reclassified as additional paid in capital during the three months ended March 31, 2024 during which both the grant and vesting of these awards occurred. Expense related to this award totaled \$2.4 million.

**Restricted Stock**

The following is a summary of the changes in the Company's restricted stock for the year ended December 31, 2024:

	Shares of restricted stock	Weighted Average Grant Date Fair Value (per share)
Balance at December 31, 2023	—	—
Granted	28,449,178	\$ 0.21
Vested	—	—
Forfeited (A)	—	—
Outstanding at December 31, 2024	28,449,178	\$ 0.21

On January 1, 2024, the Company granted 19,949,178 shares of restricted common stock, par value \$0.01 per share ("Restricted Shares"), to Wesley Edens and 8,500,000 Restricted Shares to Michael Compton. The terms of the Restricted Shares contain a performance condition requiring that the Company's stock price increase at least 66.00% from the date of grant in order to vest, measured on a total return basis (taking into account any dividend payments). No stock compensation expense has been recognized related to these performance based grants as the achievement of performance condition is not considered probable.

The Restricted Shares are generally subject to performance-based cliff vesting, are not subject to accelerated vesting upon a termination of employment and are not transferable prior to the vesting date. The grants are entitled to voting and dividend rights prior to vesting, subject to clawback in the event the performance condition is not met.

**Preferred Stock**

In March 2003, the Company issued 2.5 million shares (\$62.5 million face amount) of its 9.75% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred"). In October 2005, the Company issued 1.6 million shares (\$40.0 million face amount) of its 8.05% Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred"). In March 2007, the Company issued 2.0 million shares (\$50.0 million face amount) of its 8.375% Series D Cumulative Redeemable Preferred Stock (the "Series D

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Preferred"). The Series B Preferred, Series C Preferred and Series D Preferred are non-voting, have a \$25 per share liquidation preference, no maturity date and no mandatory redemption. The Company has the option to redeem the Series B Preferred, the Series C Preferred and the Series D Preferred, at their liquidation preference.

The terms of the Series C Preferred and Series D Preferred each provide that if they cease to be listed on the NYSE or the AMEX, or quoted on the NASDAQ, and the Company is not subject to the reporting requirements of the Exchange Act, the shares of the Series C Preferred and Series D Preferred shall accrue cumulative distributions at the special rate of 9.05% and 9.375% per year, respectively. The special rate has been in effect since January 2, 2023, which is the effective date the Company's filing on Form 15, effecting deregistration under the Exchange Act and termination of the reporting requirements of the Exchange Act, and delisting from NYSE.

In connection with the issuance of the Series B Preferred, Series C Preferred and Series D Preferred, the Company incurred approximately \$2.4 million, \$1.5 million, and \$1.8 million of costs, respectively, which were netted against the proceeds of such offerings. If any series of preferred stock were redeemed, the related costs would be recorded as an adjustment to income available for common stockholders at that time.

In March 2010, the Company settled its offer to exchange (the "Exchange Offer") shares of its common stock and cash for shares of its preferred stock. After settlement of the Exchange Offer, 1,347,321 shares of Series B Preferred Stock, 496,000 shares of Series C Preferred Stock and 620,000 shares of Series D Preferred Stock remain outstanding for trading on the New York Stock Exchange.

Dividends totaling \$1.4 million were paid on January 31, 2022 to holders of record of preferred stock on January 1, 2022, in an amount equal to \$0.609375, \$0.503125 and \$0.523438 per share on the 9.750% Series B, 8.050% Series C and 8.375% Series D preferred stock, respectively.

Dividends totaling \$1.4 million were paid on May 2, 2022 to holders of record of preferred stock on April 1, 2022, in an amount equal to \$0.609375, \$0.503125 and \$0.523438 per share on the 9.750% Series B, 8.050% Series C and 8.375% Series D preferred stock, respectively.

Dividends totaling \$1.4 million were paid on August 1, 2022 to holders of record of preferred stock on July 1, 2022, in an amount equal to \$0.609375, \$0.503125 and \$0.523438 per share on the 9.750% Series B, 8.050% Series C and 8.375% Series D preferred stock, respectively.

Dividends totaling \$1.4 million were paid on October 31, 2022 to holders of record of preferred stock on October 3, 2022, in an amount equal to \$0.609375, \$0.503125 and \$0.523438 per share on the 9.750% Series B, 8.050% Series C and 8.375% Series D preferred stock, respectively.

Dividends totaling \$1.4 million were paid on January 31, 2023 to holders of record of preferred stock on January 2, 2023, in an amount equal to \$0.609375, \$0.503125 and \$0.523438 per share on the 9.750% Series B, 8.050% Series C and 8.375% Series D preferred stock, respectively.

As of December 31, 2024, the Company has \$16.8 million of unpaid undeclared dividends on our preferred stock arising in 2020, 2023, and 2024. Our board of directors has elected not to declare a dividend on preferred stock since January 31, 2023. As a result, we cannot pay any dividends on our common stock or pay any consideration to repurchase or otherwise acquire shares of our common stock unless full cumulative preferred dividends have been authorized and paid in accordance with the governing agreements.

**Non-Controlling Interests**

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On July 12, 2021, the Company entered into an investment agreement among the Company and Symphony Ventures, which we refer to as Symphony, a company organized under the laws of Ireland, in which the Company agreed to sell to Symphony 10% of the partnership interests in each of the wholly owned subsidiary limited partnerships, which we refer to as “SLPs”, formed by the Company to hold certain of the Company’s Puttery venues, in exchange for an amount in cash equal to 10% of the total cost to build the Puttery venue owned by such SLP. Symphony’s purchase price in each such SLP will be fully committed on the date the certificate of occupancy for the Puttery venue is received, up to a total commitment of \$10 million. During the year ended December 31, 2023, in accordance with options in the original investment agreements, Symphony increased their ownership in two SLPs, those for the Puttery location in The Colony, Texas, and Charlotte, North Carolina, to 20% in exchange for cash equal to an additional 10% of the total cost to build each location.

We control through a wholly owned subsidiary all general partnership interests and 80% or 90% of the limited partnership interests in the SLP, thus retaining all rights, powers and authority that govern the partnership and, as a result, we consolidate the financial results of this SLP, and report the noncontrolling interest representing the economic interest in the SLP held by Symphony. Currently the Company and Symphony are party to six SLPs, for the Puttery locations in The Colony, Texas, Charlotte, North Carolina, Washington, D.C., Houston, Texas, Chicago, Illinois, and Pittsburgh, Pennsylvania.

**Tax Benefits Preservation Plan**

The Company is party to the Tax Benefits Preservation Plan dated May 22, 2022, as amended on June 4, 2023, and as amended and restated in its entirety on May 3, 2024 (the “Plan”), with American Stock Transfer & Trust Company, LLC, as rights agent (the “Rights Agent”). The Plan is intended to help protect the Company’s ability to use its tax net operating losses and certain other tax assets (“Tax Benefits”) by deterring an “ownership change” as defined under Section 382 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (the “Code”).

Pursuant to the Plan, each registered holder of outstanding shares of common stock, par value \$0.01 per share (the “Common Stock”), received rights to purchase from the Company a unit consisting of one one-thousandth of a share (a “Unit”) of Series E Junior Participating Preferred Stock, par value \$0.01 per share (the “Series E Preferred Stock”), at a purchase price of \$5.00 per Unit, subject to adjustment (the “Purchase Price”).

The Rights are attached to all Common Stock certificates representing shares outstanding, and no separate rights certificates (“Rights Certificates”) were distributed. Subject to certain exceptions specified in the Plan, the Rights will separate from the Common Stock then outstanding and a distribution date (the “Distribution Date”) will occur upon the earlier of (i) 10 business days following a public announcement that a person or group of affiliated or associated persons (an “Acquiring Person”) has become the beneficial owner of 4.9% or more of the shares of the Common Stock (the “Stock Acquisition Date”) and (ii) 10 business days (or such later date as the Board shall determine) following the commencement of a tender offer or exchange offer that would result in a person or group becoming an Acquiring Person.

**12. COMMITMENTS AND CONTINGENCIES**

**Litigation** — The Company is and may become, from time to time, involved in legal actions in the ordinary course of business, including governmental and administrative investigations, inquiries and proceedings concerning employment, labor, environmental and other claims. Although management is unable to predict with certainty the eventual outcome of any legal action, management believes the ultimate liability arising from such actions, individually and in the aggregate, which existed at December 31, 2024, will not materially affect the Company’s consolidated results of operations, financial position or cash flow. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material effect on our financial results.

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**Environmental Costs** — As a commercial real estate owner, the Company is subject to potential environmental costs. At December 31, 2024, management of the Company is not aware of any environmental concerns that would have a material adverse effect on the Company's consolidated financial position or results of operations.

**Surety Bonds** — The Company is required to maintain bonds under certain third-party agreements, as requested by certain utility providers, and under the rules and regulations of licensing authorities and other governmental agencies. The Company had bonds outstanding of approximately \$1.3 million and \$0.3 million as of December 31, 2024 and 2023, respectively.

**Month-to-Month Leases** — Traditional golf has seven month-to-month property leases which are cancellable by the parties with written notice. Traditional golf also has various month-to-month operating leases for carts and equipment. Lease expense is recorded in operating expenses.

**Membership Deposit Liability** — In the traditional golf business, until 2021 private country club members generally paid an advance initiation deposit upon their acceptance as a member to the respective country club. Initiation deposits are refundable 30 years after the date of acceptance as a member. As of December 31, 2024, the total face amount of initiation fee deposits was approximately \$279.2 million with annual maturities through 2051.

In 2002, American Golf Corporation ("AGC"), when it was owned by a previous owner, entered into a Restated Membership Deposit Assumption Agreement, with two trusts established by a previous owner of AGC (the "Trusts") under which the Trusts agreed to unconditionally assume the obligations of AGC to refund certain membership deposit liabilities ("MDLs") in exchange for consideration. The MDLs assumed were refundable 30 years from the date of acceptance of the member with the first liabilities assumed by the Trusts becoming refundable in 2020. The total redemption value of membership deposit liabilities assumed by the Trusts was \$181.9 million. No asset was recorded at the time of our acquisition of AGC in recognition of this assumption agreement for the \$181.9 million of liabilities assumed by the Trusts for the following reasons: 1) the substantial time period between the assumption of the liabilities and the first liabilities becoming refundable; 2) the inability of AGC to verify and monitor the assets of the Trusts to ensure the ability to perform under the terms of the assumption agreements; 3) the fact that the Trusts are not required to maintain any assets that would support such performance; 4) the Trust settlors were not required contractually to fund the Trusts; and 5) the Company does not have the ability to determine the likelihood that the Trusts will meet their obligations. In the event the Trusts are not able to fulfill their obligations, the Company would be responsible for refunding the outstanding balance of the MDL and therefore, recognizes these MDLs on its balance sheet. Though the Trusts initially assumed \$181.9 million of MDLs the balance of related MDLs carried on the books of AGC, as of December 31, 2023, has been reduced to an undiscounted nominal value of \$113.7 million through various assignments to third parties and partial membership refunds due to membership transfers. To-date, the Trust has met all of their obligations that have come due for which the Trust assumed responsibility under the Restated Membership Deposit Assumption Agreement. As of December 31, 2022 the Trusts had refunded a total of approximately \$1.2 million of MDLs, all of which they were obligated to pay under the terms of the assumption agreements.

**Restricted Cash** — Restricted cash is used as credit enhancement obligations related to the performance of lease agreements and certain insurance claims.

**Preferred Dividends in Arrears** - As of December 31, 2024, \$16.8 million of dividends on the Company's cumulative preferred stock were undeclared, unpaid and in arrears.

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**13. INCOME TAXES**

The provision for income taxes consists of the following:

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	\$ 434	\$ (342)	\$ 1,840
State and local	351	(49)	189
Total current provision	\$ 785	\$ (391)	\$ 2,029
Deferred:			
Federal	\$ —	\$ —	\$ —
State and local	—	—	—
Total deferred provision	\$ —	\$ —	\$ —
Total provision for income taxes	\$ 785	\$ (391)	\$ 2,029

The Company is subject to U.S. federal and state corporate income tax. As of December 31, 2024, the Company has a net operating loss carryforward of approximately \$502.4 million that is available to offset future U.S. federal taxable income, if and when it arises. The Company has State net operating losses after apportionment and tax effect of approximately \$1.0 billion. The net operating loss carryforwards will begin to expire in 2029. A portion of the net operating loss carryforward may be limited in its use due to certain provisions of the Code, including, but not limited to Section 382, which imposes an annual limit on the amount of net operating loss and net capital loss carryforwards that the Company can use to offset future taxable income.

The Company and its subsidiaries file U.S. federal and state income tax returns in various jurisdictions. Generally, the Company is no longer subject to tax examinations by tax authorities for years prior to 2021.

The Company has assessed its tax positions for all open years. As of December 31, 2024, the Company reported a total of \$0.3 million of unrecognized tax benefits which, if recognized, would affect the Company's effective tax rate. The Company does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within the next twelve months.

A reconciliation of the unrecognized tax benefits is as follows:

Balance as of December 31, 2023	\$ 211
Increase due to tax positions of current year	118
Decrease due to settlement	—
Decrease due to expiration of statute of limitations	(18)
Balance as of December 31, 2024	\$ 311

Generally, the Company's effective tax rate differs from the federal statutory rate as a result of state and local taxes and changes in the valuation allowance.



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The difference between the Company's reported provision for income taxes and the U.S. federal statutory rate of 21% is as follows:

	December 31,		
	2024	2023	2022
Provision at the statutory rate	21.00 %	21.00 %	21.00 %
Permanent items	(1.06)%	(1.04)%	0.41 %
Excess inclusion income	(0.45)%	0.05 %	(3.26)%
State and local taxes	(0.70)%	(0.14)%	(0.31)%
Valuation allowance	(20.01)%	(20.03)%	(21.24)%
Unrecognized tax benefits	(0.22)%	1.39 %	(0.32)%
Other	(0.33)%	(0.30)%	(0.25)%
Total Benefit (Expense)	(1.77)%	0.93 %	(3.97)%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2024 and 2023 are presented below:

	December 31,	
	2024	2023
Deferred tax assets:		
Allowance for loan losses	\$ —	\$ —
Depreciation and amortization	281	—
Accrued expenses	1,045	1,008
Interest	4,210	3,425
Operating lease liabilities	52,007	54,189
Net operating losses	167,341	170,070
Deferred revenue	6,169	5,979
Investment in partnership	4,321	4,504
Impairment loss	16,536	11,484
Membership deposit liabilities	3,893	—
Other	208	58
Total deferred tax assets	256,011	250,717
Less valuation allowance	(210,023)	(197,142)
Net deferred tax assets	\$ 45,988	\$ 53,575
Deferred tax liabilities:		
Depreciation and amortization	—	1,745
Operating lease right-of-use assets	45,988	49,956
Membership deposit liabilities	—	1,874
Total deferred tax liabilities	\$ 45,988	\$ 53,575
Net deferred tax assets	\$ —	\$ —

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible.

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As of December 31, 2024, the Company recorded a full valuation allowance against its net deferred tax assets as management does not believe that it is more likely than not that the net deferred tax assets will be realized.

The following table summarizes the change in the deferred tax asset valuation allowance:

Valuation allowance at December 31, 2023	\$	197,142
Increase due to current year operations		12,881
Valuation allowance at December 31, 2024	\$	210,023

**14. (GAIN) LOSS ON LEASE TERMINATIONS AND IMPAIRMENT**

The following table summarizes the amounts the Company recorded in the Consolidated Statements of Operations:

	Year Ended December 31,		
	2024	2023	2022
Loss on lease terminations	\$ —	\$ —	\$ 2,222
Loss on asset retirement	2,346	1,764	447
Impairment on entertainment golf properties	21,816	31,788	13,177
Impairment on traditional golf properties	—	541	1,330
Total Loss on Lease Terminations and Impairment	\$ 24,162	\$ 34,093	\$ 17,176

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During the year ended December 31, 2024, the Company recorded impairment charges of \$21.8 million in the entertainment golf business related to underperforming Puttery locations in New York City, New York and Kansas City, Missouri. Both locations remain open and operating with no physical disposition of the underlying assets. The impaired assets consisted of improvements to the building and leased space, furniture and fixtures, and supporting hardware and software for the venues. Additionally, the Company recorded a loss of \$2.3 million related to assets for the Randall's Island location for which the lease was assigned to a third party during the year ended December 31, 2024.

During the year ended December 31, 2023, the Company recorded impairment charges of \$0.5 million in the traditional golf business related to three courses for which the leases expired and were not renewed in January 2024 and the entertainment golf business recognized an impairment of \$1.8 million related to assets for the Puttery location in Philadelphia for which a final lease termination was undertaken in 2023 due to a change in zoning laws. Additionally, the entertainment golf business recognized impairments totaling \$31.8 million related to two underperforming Drive Shack venues in Richmond, Virginia, and Orlando, Florida. Both locations remain open and operating with no physical disposition of the underlying assets.

During the year ended December 31, 2022, the Company recorded impairment charges of \$11.3 million related to construction in progress assets for its Drive Shack New Orleans venue as the Company determined that it will not restart construction of the venue. The assets consist primarily of a partially constructed, unfinished building and parking lot. During the second quarter of 2022, the Company entered into a termination agreement to terminate the underlying ground lease for the site and recorded a \$2.2 million loss on lease terminations. The Company also recorded impairment charges of \$0.3 million related to assets for its Puttery location in Philadelphia during the third quarter. The Company recorded impairment charges of \$1.6 million related to certain assets acquired for our Puttery venues in Charlotte, North Carolina; Miami, Florida; and Washington, DC. The assets consisted of gameplay tracking cameras and supporting hardware and software for our venues. The Company has determined that it will not utilize the devices and they will therefore not be installed. The Company is unable to recover the cost of the devices and the impairment charge represents the full value of the equipment. In addition, the Company also recorded impairment charges of \$1.0 million related to one of its traditional golf courses, Dyker Beach during the third quarter. The Company recorded impairment charges of \$0.4 million related to two of its traditional golf courses, Clearview and La Tourette, during the fourth quarter.

The significant inputs used to value these real estate assets fall within Level 3 for fair value reporting.

The Company evaluated the recoverability of the carrying value of these assets using the income approach based on future assumptions of cash flows. As the fair value inputs utilized are unobservable, the Company determined that the significant inputs used to value these properties fall within Level 3 for fair value reporting.

**15. RELATED PARTY TRANSACTIONS****Management Agreement**

Drive Shack Inc. is a party to a Management Agreement with an entity controlled by Wesley Edens, its Manager, which provides for one ten-year term with one ten-year renewal subject to certain termination rights. The Manager's performance is reviewed annually, and the Management Agreement may be terminated by Drive Shack Inc. by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the 24 consecutive calendar months immediately preceding the termination, upon the affirmative vote of at least majority of the independent directors, or by a majority vote of the holders of common stock.

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Pursuant to the Management Agreement, the Manager provides for a management team and other professionals who are responsible for implementing our business strategy, subject to the supervision of our board of directors. Our Manager is responsible for, among other things, (i) administering the day-to-day operations, (ii) providing executive personnel, office space and office services required in rendering executive management services, (iii) providing financial and accounting management services and (iv) making recommendations to the Company in connection with the purchase, financing, investment in and development of and commitment to purchase, finance, invest in and develop, assets, including real estate and other assets relating to entertainment golf and traditional golf, and in connection with the sale and commitment to sell exchange or otherwise dispose of any such assets, and performing other duties as specified in the Management Agreement. For performing these services, Drive Shack Inc. pays the Manager an annual management incentive fee equal 33% of the EBITDA improvement over a \$5.375 million hurdle.

The Management Agreement provides that Drive Shack Inc. will reimburse the Manager for various expenses incurred by the Manager or its officers, employees and agents on Drive Shack Inc.'s behalf, including costs of legal, accounting, tax, auditing, administrative and other similar services rendered for Drive Shack Inc. by providers retained by the Manager or, if provided by the Manager's employees, in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis. In addition to the expense reimbursements for expenses incurred by the Manager, Drive Shack Inc. is responsible for reimbursing the Manager for certain expenses incurred by Drive Shack Inc. that are initially paid by the Manager on behalf of Drive Shack Inc.

Contingent upon the payment of the management fee, the related party agrees to purchase shares of common stock or shares of any series outstanding of preferred stock in the Company for an aggregate purchase price equal to 80% of the value of the most recent management fee payment (net of all taxes, required withholdings, and other expenses) no later than six months following the payment of each management fee installment. The share purchase requirement will terminate if the Volume-Weighted Average Price ("VWAP") of the Company's common stock has equaled at least \$2.00 per share during a ten-business day period provided that the related party did not acquire any common stock during such period. Until the termination of the share purchase requirement or the termination of the Management Agreement itself, the related party will not sell or otherwise dispose of any shares of common or preferred stock purchased under share purchase requirement.

The following table summarizes the amounts the Company recorded in the Consolidated Statements of Operations:

	Year Ended December 31,		
	2024	2023	2022
Management fee	\$ 11,790	\$ —	\$ —
Expense reimbursement to the manager	2,006	—	—
Total Management fee to affiliate	<u>\$ 13,796</u>	<u>\$ —</u>	<u>\$ —</u>

**16. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through March 31<sup>st</sup>, 2025 and has identified no events that occurred that would require adjustments to our disclosures in the consolidated financial statements.

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**SIGNATURES**

This report has been duly signed on its behalf by the undersigned, thereunto duly authorized:

DRIVE SHACK INC.

By: /s/ Wesley R. Edens

Wesley R. Edens

Chairman of the Board

March 31, 2025

This report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

By: /s/ Wesley R. Edens

Wesley R. Edens

Chairman of the Board

March 31, 2025

By: /s/ William J. Clifford

William J. Clifford

Director

March 31, 2025

By: /s/ Michael Compton

Michael Compton

Interim Chief Executive Officer

March 31, 2025

By: /s/ Keith Sbarbaro

Keith Sbarbaro

Director

March 31, 2025

By: /s/ Benjamin M. Crane

Benjamin M. Crane

Director

March 31, 2025