DRIVE SHACK

Investor Presentation

First Quarter 2017

Disclaimers

IN GENERAL. This disclaimer applies to this document and the verbal or written comments of any person presenting it. This document, taken together with any such verbal or written comments, is referred to herein as the "Presentation."

FORWARD-LOOKING STATEMENTS. Certain items in this Presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding Drive Shack Inc.'s (NYSE: DS; "DS Inc." or the "Company" and "we," "us" and "our," as applicable), estimated American Golf enterprise value, continuing to monetize our legacy debt portfolio, ability to and timing for recovery of remaining $110 million of debt, potential returns on our investments, targeted investment returns for the Traditional Golf business, 2017 Target Adjusted EBITDA ("2017E Adjusted EBITDA") for the Traditional Golf business, ability to drive growth in our Traditional Golf business, targeted yields and returns, and ability to execute Drive Shack business plan, including (i) the number of Drive Shack venues that we may be able to develop, (ii) timing for opening venues, (iii) current management expectations for such venues, and (iv) ability of Drive Shack to serve as a growth engine for Drive Shack Inc. These statements are based on management's current expectations and beliefs and are subject to a number of risks, trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, many of which are beyond our control. Neither Drive Shack Inc. or FIG LLC, an affiliate of Fortress Investment Group ("Fortress") that is Drive Shack Inc.'s manager, can give any assurance that expectations will be attained. Factors that could cause actual results to differ materially from expectations include, but are not limited to, the risk that we do not deploy investable cash as quickly as we anticipate or our acquisitions are not as successful as anticipated, competition, an unfavorable supply-demand imbalance, or reputational harm, and the other risks detailed in Drive Shack Inc.'s periodic reports filed with the Securities and Exchange Commission ("SEC"). In addition, new risks and uncertainties emerge from time to time, and it is not possible to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking statements contained in this Presentation. Forward-looking statements speak only as of the date of this Presentation. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

PAST PERFORMANCE; NO OFFER; NO RELIANCE. Past performance is not a reliable indicator of future results and should not be relied upon as the basis for making an investment decision. This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any security. Any such offer would only be made by means of formal offering documents, the terms of which would govern in all respects. You should not rely on this Presentation as the basis upon which to make any investment decision.

NON-GAAP FINANCIAL INFORMATION. This Presentation includes information based on financial measures that are not recognized under generally accepted accounting principles ("GAAP"). You should use non-GAAP information in addition to, and not as an alternative to, financial information prepared in accordance with GAAP, which is included in Drive Shack Inc.'s filings with the SEC. See definitions, purpose and reconciliations to the most comparable GAAP measures at the end of this Presentation. These measures may not be identical or comparable to measures referred to by the same name presented by other companies.

Drive Shack Inc. – Business Overview[1]

Drive Shack Inc. is a leading owner and operator of golf-related leisure and entertainment businesses

~$130M
Cash

$320M
American Golf Estimated EV[2]

~$110M
Targeted RE Debt Recovery[3]

($14)M
($0.21)/Share
GAAP (Loss)[4]

($0.4)M
($0.01)/Share
Core Earnings[5]

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1) As of March 31, 2017.
2) $320 million of estimated enterprise value is calculated based on the midpoint of 2017E Adjusted ("Adj.") EBITDA of $36 million at a 9x multiple, excluding other assets, $102 million of long-term financing and other liabilities. Adj. EBITDA multiple of 9x is based on the median EBITDA multiple of our leisure trading comparables, including ClubCorp, Vail Resorts Inc., Intrawest Resorts and Peak Resorts, Inc. 2017E Adj. EBITDA is a non-GAAP measure. See reconciliation to the most comparable GAAP measure and endnotes at the end of this Presentation. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.
3) Targeted RE debt recovery is management's current targeted real estate debt recovery, and is based on management's current assessment of market conditions, credit quality of relevant borrowers and any losses or gains on the underlying collateral. The timing and amounts of such recovery are outside of our control. As a result, actual recovery may vary materially from targeted recovery. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.
4) GAAP (Loss) for 1Q 2017 includes: (i) $5.8 million of depreciation and amortization, (ii) $1.0 million of amortization of favorable or unfavorable leasehold intangibles and (iii) $1.6 million of accretion on membership deposit liabilities.
5) Core Earnings is a non-GAAP measure. See reconciliation to the most comparable GAAP measure and endnotes at the end of this Presentation.

1Q 2017 Highlights & Subsequent Events

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American Golf

Plan: Grow Organically

- ✓Generated 1Q 2017 Adj. EBITDA of $2.7 million, +12% vs. 1Q 2016 despite heavy rain in California during the quarter[1]
- ✓On track to achieve 2017E Adj. EBITDA of $35 to $37 million[2,3]
- ✓*Illustrative multiple: 8-10x Adj. EBITDA[4]*

Drive Shack

Plan: Invest

- ✓Developing venue in Orlando, FL – aim to open 1Q 2018[3]
- ✓Second venue to be developed in Richmond, VA – aim to open in 2018
- ✓Targeting $3 to $6 million of site EBITDA
- ✓*Illustrative valuation: 15x EBITDA[5]*

Liquidity

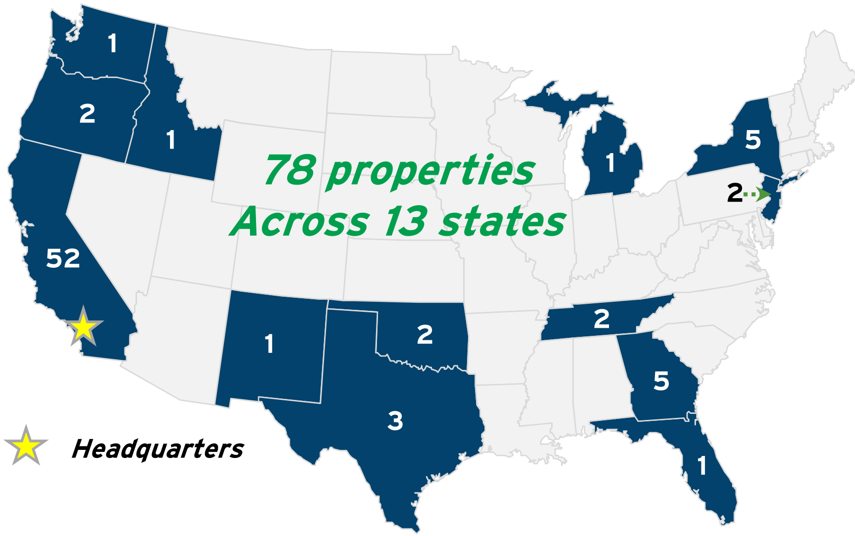
Plan: Redeploy into businesses

- ✓Recovered ~$13 million during 1Q 2017 primarily from sale of $290 million face amount of agency securities
- ✓~$240 million (~$130 million cash + ~$110 million targeted debt recovery)[3,6]

1) Adj. EBITDA is a non-GAAP measure. See reconciliation to the most comparable GAAP measure and endnotes at the end of this Presentation.
2) There can be no assurance that we will achieve 2017E Adj. EBITDA and actual results may differ materially.
3) See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.
4) Adj. EBITDA multiple of 8-10x is based on the EBITDA multiples of our leisure trading comparables, including ClubCorp, Vail Resorts Inc., Intrawest Resorts and Peak Resorts, Inc. There can be no assurances that we will achieve such illustrative valuation, and actual valuation may differ materially.
5) Based on equity research and management estimates of entertainment peers. No report of any research analysts is incorporated by reference herein. There can be no assurances that we will achieve such illustrative valuation, and actual valuation may differ materially.
6) Targeted debt recovery is based on management's current assessment of market conditions, credit quality of relevant borrowers and any losses or gains on the underlying collateral. The timing and amounts of such recovery are outside of our control. As a result, actual recovery may vary materially from targeted recovery.

American Golf – Company Overview[1]

One of the largest owners & operators of golf properties in the U.S.[2]



(# of properties)	Total	Owned	Leased	Managed
Private	21	15	4	2
Public	57	12	37	8
Total	**78**	**27**	**41**	**10**

3.9mm
Rounds/TTM[3]

4.6K acres
Owned Real Estate

1.4K
Holes of Golf

75%+
Top 20 MSAs[4]

36K
The Players Club Total Members[5]

14K
Private Members[6]

Note: Information presented as of March 31, 2017, except as otherwise noted.
1) Total number of properties reflects the total number of public and private properties that are owned, leased or managed by American Golf as of March 31, 2017. The operating and financial metrics on this page reflect results from the 68 properties that were owned or leased as of March 31, 2017, and excludes the 10 managed properties.
2) Golf Inc. Magazine.
3) TTM represents Trailing Twelve Months ended March 31, 2017.
4) Metropolitan Statistical Areas.
5) The Players Club is a membership program offered at most of American Golf's public properties, where members receive benefits, such as golf clinics and range access, in exchange for a monthly fee.
6) Includes full golf members, limited golf members and other members (e.g., social members).

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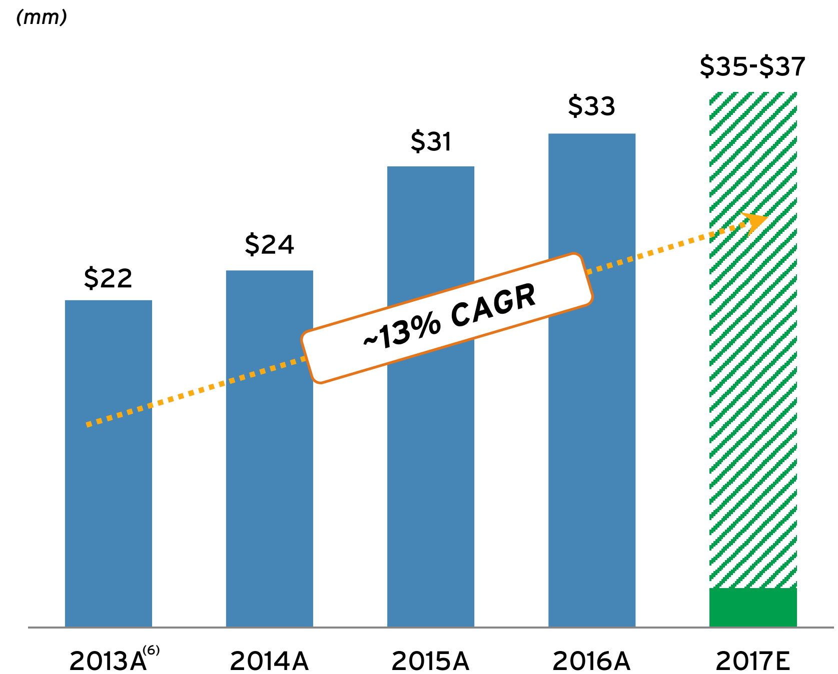
American Golf – Performing Well & Positioned for Growth in 2017[1]

- **1Q 2017 TTM Same Store revenue of $291 million is +2%, or +$5 million, vs. 1Q 2016 TTM[2]**
- **1Q 2017 TTM Adj. EBITDA of $33 million is +6%, or +$2 million, vs. 1Q 2016 TTM[3]**
- **2017E Adj. EBITDA of $35 to $37 million – at the midpoint, implies a 9% year-over-year increase[4]**

1Q 2017 TTM Same Store Results[2]

	1Q '17 TTM	1Q '16 TTM	vs. 1Q '16 TTM Δ	vs. 1Q '16 TTM % Δ
Private Metrics (19 properties)				
Revenue *($mm)*	$130	$126	*$4*	*+3%*
Avg. Dues / Avg. FG Member	$5,979	$5,773	*$206*	*+4%*
Full Golf ("FG") Members	8,539	8,610	*-71*	*-1%*
FG Occupancy	81.9%	82.6%	*-68 bps*	*-1%*
Public Metrics (49 properties)				
Revenue *($mm)*	$161	$160	*$1*	*+1%*
Total Rounds	3.2M	3.2M	--	--
Avg. Fees / Round[5]	$39.85	$39.35	*$0.50*	*+1%*
The Players Club Members	36K	27K	*9K*	*+36%*

Adjusted EBITDA Growth[3,4]



Note: Discrepancies may exist due to rounding.
1) See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.
2) Same Store properties include properties that were owned or leased as of March 31, 2016 and March 31, 2017, and excludes the 10 managed properties.
3) Adjusted EBITDA is a non-GAAP measure. See reconciliation to the most comparable GAAP measure and endnotes at the end of this Presentation.
4) There can be no assurance that we will achieve 2017E Adj. EBITDA and actual results may differ materially. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.
5) Avg. Fees / Round is calculated by dividing the sum of greens fees, cart fees, range revenue, merchandise and a portion of food & beverage revenue by the total number of public golf rounds.
6) DS acquired American Golf Corporation ("AGC") in December 2013. 2013A reflects unaudited predecessor financial information prior to the acquisition and may not be comparable to subsequent financial information.

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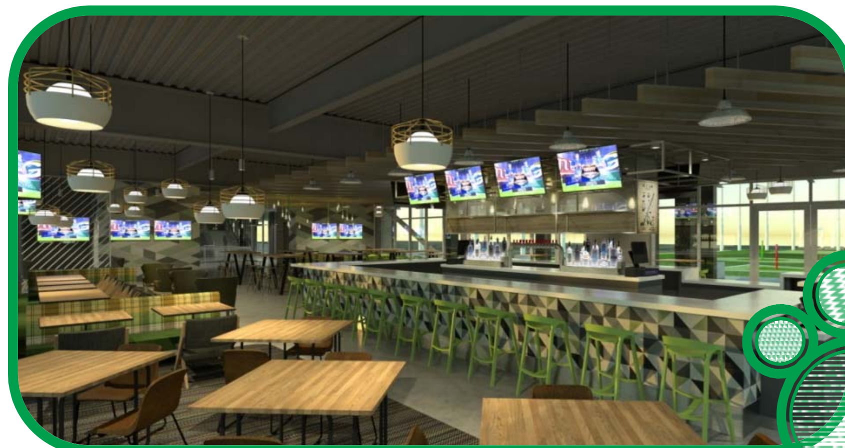
Drive Shack – Growth Driver Of Our Business[1]

Creating year-round entertainment venues that combine golf, competition, dining and fun

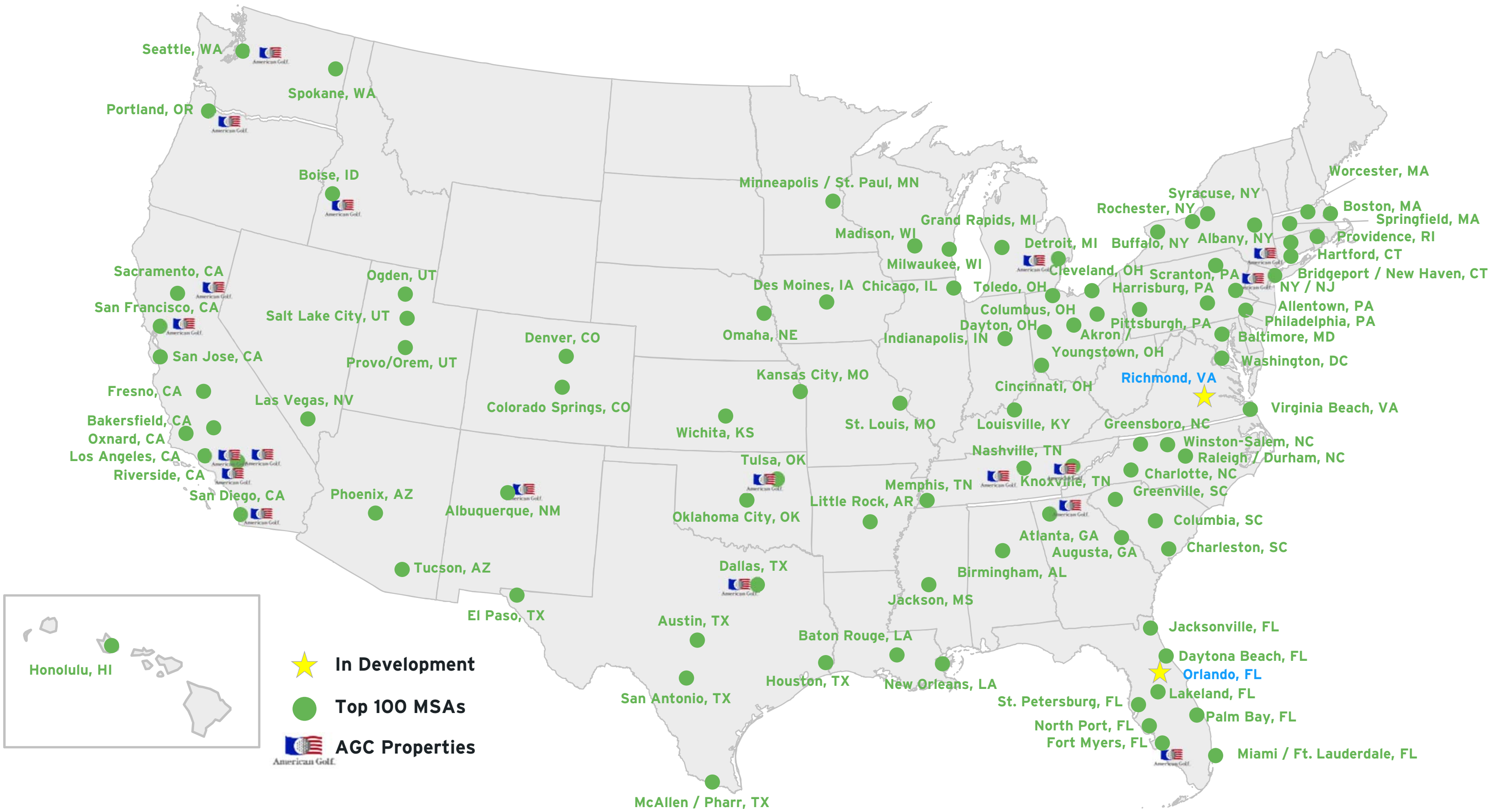
- **3-story indoor/outdoor driving ranges with +85 suites**
- **Multi-player range suites offer competitive games that both non-golfers and golfers can enjoy**
- **Venues will include full-service restaurant, bar and event space**



1) See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

Drive Shack Market – U.S. & Global Opportunity[1]

- **Developing first venue in Orlando, FL – aim to open in 1Q 2018**
- **Second venue being developed in Richmond, VA – working towards open in 2018**
- **Actively evaluating a robust pipeline of potential sites**



1) See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

Appendix

1. *Financial Statements*
2. *GAAP Reconciliations*
3. *Endnotes*

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Consolidated Balance Sheets

($ in 000s)

Assets	As of 3/31/2017	As of 12/31/2016
Real estate securities, available-for-sale	$2,032	$1,950
Real estate securities, available-for-sale - pledged as collateral	326,878	627,304
Real estate related and other loans, held-for-sale, net	59,043	55,612
Investments in real estate, net of accumulated depreciation	216,452	217,611
Intangibles, net of accumulated amortization	63,366	65,112
Other investments	19,636	19,256
Cash and cash equivalents	126,970	140,140
Restricted cash	7,213	6,404
Receivables from brokers, dealers and clearing organizations	--	552
Receivables and other assets	38,165	38,017
Total Assets	**$859,755**	**$1,171,958**
Liabilities		
Repurchase agreements	310,630	600,964
Credit facilities & obligations under capital leases	114,851	115,284
Junior subordinated notes payable	51,214	51,217
Dividends payable	930	8,949
Membership deposit liabilities	90,570	89,040
Accounts payable, accrued expenses and other liabilities	87,720	88,437
Total Liabilities	**$655,915**	**$953,891**
Stockholders' Equity		
Preferred stock	$61,583	$61,583
Common equity	142,257	156,484
Noncontrolling interest	--	--
Total Stockholders' Equity	**$203,840**	**$218,067**
Total Liabilities & Stockholders' Equity	**$859,755**	**$1,171,958**

Consolidated Statements of Operations

($ in 000s)

Income Statement	1Q 2017	1Q 2016
Revenues:		
Golf course operations	$46,296	$48,597
Sales of food and beverages	12,845	13,561
Total revenues	**$59,141**	**$62,158**
Operating costs:		
Operating expenses	54,431	58,219
Cost of sales – food and beverages	4,032	4,597
General and administrative expense	3,565	2,937
Management fee to affiliate	2,677	2,675
Depreciation and amortization	5,793	6,031
Impairment	--	2,308
Realized/unrealized loss on investments	3,389	2,007
Total operating costs	**73,887**	**78,774**
Operating loss	**$(14,746)**	**$(16,616)**
Other income (expenses):		
Interest and investment income	7,888	21,039
Interest expense	(5,434)	(13,534)
Gain on deconsolidation	--	82,130
Other income (loss), net	(123)	320
(Loss) Income before income tax	**$(12,415)**	**$73,339**
Income tax expense	539	44
Net (Loss) Income	**$(12,954)**	**$73,295**
Preferred dividends	(1,395)	(1,395)
Net loss attributable to noncontrolling interest	--	124
(Loss) Income Applicable to Common Stockholders	**$(14,349)**	**$72,024**
Per WA Basic Share	*($0.21)*	*$1.08*

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WA: Weighted Average.

GAAP Reconciliation – Core Earnings(1)

- *Management uses core earnings, which is a non-GAAP measure, as one measure of operating performance. Core earnings is (loss) income available for common stockholders excluding impairment, realized/unrealized loss on investments, other (income) loss, and depreciation and amortization charges including the accretion of membership deposit liabilities and the amortization of favorable or unfavorable leasehold intangibles, acquisition and spin-off related expenses and restructuring expenses.*

($ in 000s, except per share)	1Q 2017	1Q 2016
Reconciliation of Core Earnings		
(Loss) Income applicable to common stockholders	($14,349)	$72,024
Add (Deduct):		
Impairment	--	2,308
Realized/unrealized loss on investments	3,389	2,007
Other loss (income)(2)	502	(82,079)
Depreciation and amortization(3)	8,407	8,665
Acquisition, restructuring and spin-off related expenses(4)	1,662	491
Core Earnings	**$(389)**	**$3,416**
Per WA Basic Share	***($0.01)***	***$0.05***
Per WA Diluted Share	***($0.01)***	***$0.05***

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WA: Weighted Average.
*See footnotes on next page.

GAAP Reconciliation – Core Earnings (Cont'd)[1]

1) Please refer to Endnote on Reconciliation of Non-GAAP Measures at the end of this Presentation.

2)Other (Loss) Income Reconciliations:

($ in 000s)	1Q 2017	1Q 2016
Total other income	$2,331	$89,955
Add (Deduct):		
Equity in earnings from equity method investees	(379)	(371)
Interest and investment income	(7,888)	(21,039)
Interest expense	5,434	13,534
Other (loss) income	**$(502)**	**$82,079**

3)Including accretion of membership deposit liabilities of $1.6 million and $1.4 million and amortization of favorable and unfavorable leasehold intangibles of $1.0 million and $1.2 million in the three months ended March 31, 2017 and 2016, respectively. The accretion of membership deposit liabilities was recorded to interest expense and the amortization of favorable and unfavorable leasehold intangibles was recorded to operating expenses.

4)Including acquisition and transaction expenses of $1.7 million and $0.2 million and restructuring expenses of less than $0.1 million and $0.3 million during the three months ended March 31, 2017 and 2016, respectively. The acquisition and transaction costs were recorded to general and administrative expense and restructuring expenses were recorded to operating expenses.

GAAP Reconciliation – 1Q 2017 & 1Q 2017 TTM Adjusted EBITDA[1]

($ in 000s)	A Three Months Ended 3/31/2017	B Full Year Ended 2016	C Three Months Ended 3/31/2016	A + B - C Trailing Twelve Months Ended 3/31/2017
Net Loss Applicable to Common Stockholders for Traditional Golf	**($10,613)**	**($29,742)**	**($10,481)**	**($29,874)**
Add:				
Interest Expense, net	3,778	12,336	2,623	13,491
Income Tax Expense	-	188	44	144
Depreciation and Amortization	5,793	26,496	6,031	26,258
Amortization of favorable/unfavorable leasehold intangibles	1,028	4,451	1,201	4,278
EBITDA	**($14)**	**$13,729**	**($582)**	**$14,297**
Other Loss	744	9,097	284	9,557
Other Tax Expense in Lieu of Income Taxes	8	136	67	77
Change in deferred revenue related to initiation fee deposits	431	2,321	610	2,142
Rental Expense for Cart and Equipment under Operating Leases	789	3,776	980	3,585
Adjusted EBITDA from terminated non-core courses	-	170	21	149
Acquisition, Transaction, and Restructuring Costs[2]	284	2,002	441	1,845
DS Inc. Corporate G&A	430	1,619	565	1,484
ADJ. EBITDA	**$2,672**	**$32,850**	**$2,386**	**$33,136**

1) Please refer to the Adjusted EBITDA endnotes in the back of this Presentation.
2) Includes restructuring expenses of less than $0.1 million, $0.4 million and $0.3 million during the quarter ended March 31, 2017, the year ended December 31, 2016 and the quarter ended March 31, 2016, respectively. Restructuring expenses were recorded to operating expenses.

GAAP Reconciliation – 1Q 2016 TTM Adjusted EBITDA[1]

($ in 000s)	A Three Months Ended 3/31/2016	B Full Year Ended 2015	C Three Months Ended 3/31/2015	A + B - C Trailing Twelve Months Ended 3/31/2016
Net Loss Applicable to Common Stockholders for Traditional Golf	**($10,481)**	**($14,510)**	**($10,643)**	**($14,348)**
Add:				
Interest Expense, net	2,623	13,363	3,584	12,402
Income Tax Expense	44	345	46	343
Depreciation and Amortization	6,031	28,682	6,753	27,960
Amortization of favorable/unfavorable leasehold intangibles	1,201	4,942	1,271	4,872
EBITDA	**($582)**	**$32,822**	**$1,011**	**$31,229**
Other Loss (Income)	284	(13,180)	(8)	(12,888)
Other Tax Expense in Lieu of Income Taxes	67	196	5	258
Change in deferred revenue related to initiation fee deposits	610	2,629	534	2,705
Rental Expense for Cart and Equipment under Operating Leases	980	4,551	1,139	4,392
Adjusted EBITDA from terminated non-core courses	21	(22)	-	(1)
Acquisition, Transaction, and Restructuring Costs[2]	441	1,548	36	1,953
DS Inc. Corporate G&A	565	2,315	45	2,835
ADJ. EBITDA	**$2,386**	**$30,859**	**$2,762**	**$30,482**

1) Please refer to the Adjusted EBITDA endnotes in the back of this Presentation.
2) Includes restructuring expenses of $0.3 million, $0.3 million and less than $0.1 million during the quarter ended March 31, 2016, the year ended December 31, 2015 and the quarter ended March 31, 2015, respectively. Restructuring expenses were recorded to operating expenses.

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GAAP Reconciliation – 2017E Adjusted EBITDA(1)

($ in 000s)	Target Range Year Ending 12/31/2017(2,3)	
Net Loss Applicable to Common Stockholders for Traditional Golf	**($17,600)**	**($16,100)**
Add:		
Interest Expense, net	15,500	15,500
Income Tax Expense	-	-
Depreciation and Amortization	25,000	25,000
Amortization of favorable/unfavorable leasehold intangibles	4,500	4,500
EBITDA	**$27,400**	**$28,900**
Other (Income) Loss	-	-
Other Tax Expense in Lieu of Income Taxes	-	-
Change in deferred revenue related to initiation fee deposits	2,000	2,500
Rental Expense for Cart and Equipment under Operating Leases	3,100	3,100
Adjusted EBITDA from terminated non-core courses	-	-
Acquisition, Transaction, and Restructuring Costs	-	-
DS Inc. Corporate G&A	2,500	2,500
ADJ. EBITDA	**$35,000**	**$37,000**

1) Please refer to the Adjusted EBITDA endnotes in the back of this Presentation.
2) See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.
3) There can be no assurance that we will achieve 2017E Adj. EBITDA and actual results and endnotes may differ materially.

GAAP Reconciliation – 1Q 2017 & 1Q 2017 TTM (Loss) Income

	A	B	C	A + B - C
	Three Months Ended	Full Year Ended	Three Months Ended	Trailing Twelve Months Ended
($ in 000s)	3/31/2017	2016	3/31/2016	3/31/2017
Loss applicable to common stockholders for Traditional Golf	($10,613)	($29,742)	($10,481)	($29,874)
Loss applicable to common stockholders for Entertainment Golf	(1,326)	(1,568)	(14)	(2,880)
Income applicable to common stockholders for Debt Investments	3,827	129,209	89,449	43,587
Loss applicable to common stockholders for Corporate	(6,237)	(26,400)	(6,930)	(25,707)
(Loss) income applicable to common stockholders	**($14,349)**	**$71,499**	**$72,024**	**($14,874)**

GAAP Reconciliation – 1Q 2016 TTM (Loss) Income

	A	B	C	A + B - C
	Three Months Ended	Full Year Ended	Three Months Ended	Trailing Twelve Months Ended
($ in 000s)	3/31/2016	2015	3/31/2015	3/31/2016
Loss applicable to common stockholders for Traditional Golf	($10,481)	($14,510)	($10,643)	($14,348)
Loss applicable to common stockholders for Entertainment Golf	(14)	-	-	(14)
Income applicable to common stockholders for Debt Investments	89,449	57,400	14,869	131,980
Loss applicable to common stockholders for Corporate	(6,930)	(27,269)	(6,433)	(27,766)
Discontinued operations	-	646	115	531
Income (Loss) applicable to common stockholders	**$72,024**	**$16,267**	**($2,092)**	**$90,383**

Endnotes on Reconciliation of Non-GAAP Measures

Core Earnings

- The following primary variables impact our operating performance: (i) the current yield earned on our investments that are not included in non-recourse financing structures (i.e., unlevered investments, including investments in equity method investees and investments subject to recourse debt), (ii) the net yield we earn from our non-recourse financing structures, (iii) the interest expense and dividends incurred under our recourse debt and preferred stock, (iv) the net operating income on our real estate and golf investments, (v) our operating expenses and (vi) our realized and unrealized gains or losses, net of related provision for income taxes, including any impairment, on our investments, derivatives and debt obligations. Core earnings is a non-GAAP measure of our operating performance excluding the sixth variable listed above. Core earnings also excludes depreciation and amortization charges, including the accretion of membership deposit liabilities and the impact of the application of acquisition accounting, acquisition, and spin-off and restructuring related expenses. Core earnings is used by management to evaluate our performance without taking into account gains and losses, net of related provision for income taxes, which, although they represent a part of our recurring operations, are subject to significant variability and are only a potential indicator of future performance. These adjustments to our (loss) income applicable to common stockholders are not indicative of the performance of the assets that form the core of our activity.

- Management utilizes core earnings as a measure in its decision-making process relating to the underlying fundamental operations of our investments, as well as the allocation of resources between those investments, and management also relies on core earnings as an indicator of the results of such decisions. As such, core earnings is not intended to reflect all of our activity and should be considered as only one of the factors in assessing our performance, along with GAAP net (loss) income which is inclusive of all of our activities. Management also believes that the exclusion from core earnings of the items specified above allows investors and analysts to readily identify and track the operating performance of the assets that form the core of our activity, assists in comparing the core operating results between periods, and enables investors to evaluate our current core performance using the same measure that management uses to operate the business.

- Core earnings does not represent an alternative to net (loss) income as an indicator of our operating performance or as an alternative to cash flows from operating activities as a measure of our liquidity, and is not indicative of cash available to fund cash needs. Our calculation of core earnings may be different from the calculation used by other companies and, therefore, comparability may be limited.

Endnotes on Reconciliation of Non-GAAP Measures (cont'd)

EBITDA

- EBITDA is a non-GAAP measure defined by the Company as net (loss) income applicable to common stockholders before net interest expense including the elimination of interest related to an inter-segment loan, income taxes, and depreciation and amortization including the amortization of favorable or unfavorable leasehold intangibles, which represents amortization of the fair market value of assumed leases at acquisition and is recorded within operating expenses.

Adj. EBITDA

- Adj. EBITDA is not a measure of financial performance under GAAP and should not be considered in isolation or as an alternative to income from operations, net (loss) income or any other measure of performance determined in accordance with GAAP. We believe that Adj. EBITDA will be helpful in identifying trends in the performance of our Traditional Golf business, because the excluded items have little or no significance on management decision-making in the course of our day-to-day operations. Adj. EBITDA measures our operating performance of revenue generating assets between periods on a consistent basis, and helps identify operational factors that American Golf management can impact in the short-term, namely cost structure and expenses. Adj. EBITDA takes into account expenses over which American Golf management has control in the short-term, and supports decision making that is targeted to facilitate current financial and operational goals. In addition, American Golf management expects to use this metric, amongst others, in the determination of annual incentive compensation of certain members of the American Golf team. Adj. EBITDA is a non-GAAP measure that the Company defines as EBITDA plus or minus the following items, as such items are incidental to, but not reflective of the day-to-day operating performance of the business that American Golf management can impact in the short term:
    i. Other loss primarily related to non-cash losses from terminated course leases or Property, Plant and Equipment ("PP&E") write-offs at lease termination.
    ii. Other tax expense related to taxes levied in lieu of income taxes, including franchise taxes, if applicable.
    iii. Changes in deferred revenue related to initiation fee deposits, which reflect the portion of deposits collected and not recognized as revenue, net of associated costs, including commissions deferred over the same period as deferred initiation fee deposits (i.e., 7-year average life of active memberships). This item measures American Golf management's performance in driving new membership growth.
    iv. Rental expense relating to carts and equipment under operating leases, which are targeted to be restructured as obligations under capital leases. The impact of the lease structure of cart and equipment leases is not indicative of American Golf management's day-to-day operating performance. Such lease restructurings, however, are not guaranteed and are used for management's measure of Adj. EBITDA only.
    v. Adjusted EBITDA related to courses for which leases were terminated and are no longer core courses within our on-going Traditional Golf business.
    vi. Acquisition, transaction and restructuring costs as such items are unrelated to the day-to-day operating performance of the business that American Golf management can impact in the short term.
    vii. DS Inc. corporate general and administrative expenses which represents allocated corporate level professional fees incurred by DS Inc. in its parent company function, and considered to be outside the control of American Golf's management. Corporate level general and administrative costs have little to no significance on the day-to-day operations of the Traditional Golf business and are excluded from the measurement of American Golf management's operating performance.