Drive Shack Inc.

A Maryland Corporation
700 Canal Street
Stamford, Connecticut
06902

Telephone: (646) 585-5591
Corporate Website: https://ir.driveshack.com/

SIC Code:

Quarterly Report

For the period ending March 31, 2025
(the "Reporting Period")

Securities:

Title of each class:	Trading Symbol(s)	Name of exchange on which registered:
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 number of shares outstanding of the registrant's common stock was 199,442,524 as of May 9, 2025.

Our Company's transfer agent is the Equiniti Trust Company, LLC. Equiniti Trust Company, LLC is registered under the U.S. Securities and Exchange Commission in accordance with the requirements of Securities Exchange Act of 1934. They can be contacted through telephone at:

Office: 1-877-864-4750
equiniti.com/us/ast-access

Or in writing at:

Equiniti Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

DRIVE SHACK INC.
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Drive Shack Inc. and Subsidiaries

Results of review of interim financial information
We have reviewed the accompanying consolidated interim financial information of Drive Shack Inc. (a Maryland corporation) and Subsidiaries (the "Company"), which comprise the consolidated balance sheet, and the related consolidated statements of operations, comprehensive loss, changes in equity (deficit), and cash flows, as of March 31, 2025 and for the three-month periods ended March 31, 2025 and 2024, and the related notes (collectively referred to as the "interim financial information").

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for review results
We conducted our review in accordance with auditing standards generally accepted in the United States of America (US GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. 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 review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of management for the interim financial information
Management is responsible for the preparation and fair presentation of the interim financial information 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 interim financial information that is free from material misstatement, whether due to fraud or error.

Report on consolidated balance sheet as of December 31, 2024
We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2024, and the related consolidated statements of operations, comprehensive loss, changes in equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on

those audited consolidated financial statements in our report dated March 31, 2025. In our opinion, the accompanying consolidated balance sheet of the Company as of December 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

Kansas City, Missouri
May 20, 2025

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

DRIVE SHACK INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	(unaudited) March 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	$ 10,864	$ 10,235
Restricted cash	5,188	2,850
Accounts receivable, net	8,290	7,496
Other current assets	15,074	18,301
Total current assets	39,416	38,882
Property and equipment, net of accumulated depreciation	164,881	167,231
Operating lease right-of-use assets	172,137	175,861
Intangibles, net of accumulated amortization	9,587	9,915
Other assets	10,306	10,143
Total assets	$ 396,327	$ 402,032
Liabilities and Equity		
Current liabilities		
Obligations under finance leases	$ 2,714	$ 2,708
Membership deposit liabilities	33,548	33,456
Accounts payable and accrued expenses	29,885	35,427
Management fee to affiliate	13,180	11,790
Deferred revenue	18,574	15,204
Other current liabilities	23,407	23,428
Total current liabilities	121,308	122,013
Obligations under finance leases - noncurrent	3,252	3,595
Operating lease liabilities - noncurrent	184,998	188,993
Credit facilities, net - noncurrent	200	200
Junior subordinated notes payable	51,136	51,139
Membership deposit liabilities, noncurrent	115,173	113,148
Deferred revenue, noncurrent	19,416	18,311
Other liabilities	310	310
Total liabilities	$ 495,793	$ 497,709
Commitments and contingencies		

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, 496,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock, and 620,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share, issued and outstanding as of March 31, 2025 and December 31, 2024	$	61,583	$	61,583
Common stock, $0.01 par value, 1,000,000,000 shares authorized, 199,442,524 and 199,442,524 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively		1,994		1,994
Additional paid-in capital		3,248,748		3,248,748
Accumulated deficit		(3,416,588)		(3,412,950)
Total deficit of the company	$	(104,263)	$	(100,625)
Noncontrolling interest		4,797		4,948
Total deficit	$	(99,466)	$	(95,677)
Total liabilities and deficit	$	396,327	$	402,032

See notes to unaudited Consolidated Financial Statements.

DRIVE SHACK INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(Dollars in thousands, except share and per share data)

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Revenues		
Golf operations	$ 57,035	$ 54,764
Sales of food and beverages	17,573	20,490
Total revenues	74,608	75,254
Operating costs		
Operating expenses	59,745	58,936
Cost of sales - food and beverages	4,682	5,064
General and administrative expense	2,678	3,058
Management fee to affiliate	1,973	—
Depreciation and amortization	6,247	7,361
Pre-opening costs	—	1,261
Total operating costs	75,324	75,680
Operating income	(716)	(426)
Other income (expenses)		
Interest and investment income	39	6
Interest expense	(3,467)	(4,608)
Other income, net	538	273
Total expense	(2,890)	(4,329)
Loss before income tax	(3,606)	(4,755)
Income tax expense	183	88
Consolidated net loss	(3,789)	(4,843)
Less: net loss attributable to noncontrolling interest	(151)	(11)
Net loss attributable to the Company	(3,638)	(4,832)
Preferred dividends	(1,465)	(1,465)
Loss applicable to common stockholders	$ (5,103)	$ (6,297)
Loss applicable to common stock, per share		
Basic	$ (0.03)	$ (0.04)
Diluted	$ (0.03)	$ (0.04)
Weighted average number of shares of common stock outstanding		
Basic	170,993,346	166,841,446
Diluted	170,993,346	166,841,446

See notes to unaudited Consolidated Financial Statements.

DRIVE SHACK INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
	2025	2024
Net loss	$ (3,789)	$ (4,843)
Comprehensive loss attributable to noncontrolling interest	(151)	(11)
Comprehensive loss attributable to the Company	$ (3,638)	$ (4,832)

See notes to unaudited Consolidated Financial Statements.

DRIVE SHACK INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT) (unaudited)
(Dollars in thousands, except share data)

	Drive Shack Inc. Stockholders							
	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Total Equity (Deficit)
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)
Net loss	—	—	—	—	—	(3,638)	(151)	(3,789)
Equity (deficit) - March 31, 2025	2,463,321	61,583	199,442,524	1,994	3,248,748	(3,416,588)	$ 4,797	(99,466)

	Drive Shack Inc. Stockholders							
	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Total Equity (Deficit)
Equity (deficit) - December 31, 2023	2,463,321	$ 61,583	159,544,168	$ 1,595	$ 3,246,823	$ (3,368,801)	$ 5,806	$ (26,957)
Stock-based compensation	—	—	11,449,178	114	2,290	—	—	2,404
Issuance of restricted stock	—	—	28,449,178	285	(285)	—	—	—
Net loss	—	—	—	—	—	(4,832)	(11)	(4,843)
Equity (deficit) - March 31, 2024	2,463,321	$ 61,583	199,442,524	$ 1,994	$ 3,248,828	$ (3,373,633)	$ 5,795	$ (55,433)

See notes to unaudited Consolidated Financial Statements.

DRIVE SHACK INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
	2025	**2024**
Cash Flows From Operating Activities		
Net loss	(3,789)	$ (4,843)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,247	7,361
Amortization of discount and premium on debt	197	101
Other amortization	2,446	2,221
Non-cash operating lease expense	(1,147)	1,891
Stock-based compensation	—	2,404
Gain from insurance proceeds for property loss	(1,145)	(1,049)
Other losses (gains), net	809	1,014
Change in:		
Accounts receivable, net, other current assets and other assets - noncurrent	2,271	8,215
Accounts payable and accrued expenses, deferred revenue, other current liabilities and other liabilities - noncurrent	373	(3,759)
Net cash provided by operating activities	6,262	13,556
Cash Flows From Investing Activities		
Proceeds from sale of investments	—	392
Insurance proceeds for property loss	1,145	1,049
Purchases of property and equipment and intangibles	(3,124)	(8,781)
Net cash used in investing activities	(1,979)	(7,340)
Cash Flows From Financing Activities		
Repayments of debt obligations	(537)	(1,370)
Other financing activities	(779)	(292)
Net cash used in financing activities	(1,316)	(1,662)
Net Increase in Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent	2,967	4,554
Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent, Beginning of Period	13,085	15,827
Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent, End of Period	$ 16,052	$ 20,381
Cash paid during the period for interest expense	$ 859	$ 2,392
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Preferred stock dividends accumulated but not paid	$ 1,465	$ 1,465
Additions to finance lease assets and liabilities	$ —	$ 309
Additions to property and equipment under accounts payable	$ 444	$ 2,464

See notes to unaudited Consolidated Financial Statements.

Note 1. ORGANIZATION

Drive Shack Inc., which is referred to in this Quarterly Report on Form 10-Q, 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 OCTMKTS under the symbol "DSHK."

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.

As of March 31, 2025, the Company operated four Drive Shack venues located in Orlando, Florida, West Palm Beach, Florida, Raleigh, North Carolina, and Richmond, Virginia.

As of March 31, 2025, 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 March 31, 2025, the Company owned, leased or managed forty-two (42) traditional golf properties across four states. Effective June 30, 2024, we exited one management agreement related to a public managed course. Effective January 15, 2024, the Company did not renew the leases for three public courses at the time of expiration, and on January 1, 2024, the Company exited nine management agreements related to private managed courses.

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

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation **—** The accompanying Consolidated Financial Statements and related notes of the Company have been prepared in accordance with U.S. generally accepted accounting principles or GAAP for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles, or GAP, have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year. These financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the year ended December 31, 2024 and notes thereto included in the Company's annual report dated May 31, 2025. There have been no significant changes to our critical accounting policies as disclosed in our Annual report for the fiscal year ended December 31, 2024.
All 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.

Use of Estimates – 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, 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 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 March 31, 2025, accumulated other comprehensive loss included net unrealized gains on securities was $0.0 million.

Recently Issued Accounting Standards

Not Yet Adopted

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. While the Company does not believe the adoption will have a material impact on its consolidated financial statements, additional disclosures will be included in our Annual Report for the year ended December 31, 2025 and interim reporting periods beginning January 1, 2026. The Company does not intend to early adopt this ASU.

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.

Adopted

The Company adopted ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). The Company adopted this ASU for its interim periods. Refer to Note 4 ("Segment Reporting") for the required segment disclosures.

REVENUE RECOGNITION

Golf Operations

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.

(Dollars in thousands, except share and per share data)

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 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.

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

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

	Three Months Ended March 31,	
	2025	2024
Insurance proceeds	$ 1,145	$ 1,049
Other income	(607)	(776)
Other (loss) gain, net	$ 538	$ 273

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.

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.

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 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.

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 Right of Use (“ROU”) assets in "Operating lease right-of-use assets" and lease liabilities are recognized in "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 "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 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 payment for the cost of insurance and maintenance. Variable lease payments are recognized when the associated activity occurs and 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.

(Dollars in thousands, except share and per share data)

Amortization of intangible assets is included within depreciation and amortization in the Consolidated Statements of Operations. Amortization of intangible assets is calculated using the straight-line method based on the 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, 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.

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.

(Dollars in thousands, except share and per share data)

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 believes that it 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.

The following table summarizes the Company's Cash and Cash Equivalents and Restricted Cash:

	March 31, 2025	December 31, 2024
Cash and cash equivalents	$ 10,864	10,235
Restricted cash	5,188	2,850
Total Cash and cash equivalents and Restricted cash	$ 16,052	$ 13,085

Accounts Receivable, Net **—** Accounts receivable are stated at amounts due from customers, net of an allowance for credit losses of $0.1 million and $0.1 million as of March 31, 2025 and December 31, 2024, respectively. The allowance for credit losses is based 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.

Other Current Assets **—** The following table summarizes the Company's other current assets:

	March 31, 2025	December 31, 2024
Managed property receivables	$ 6,593	$ 6,134
Prepaid expenses	4,932	8,860
Inventory	3,457	3,202
Miscellaneous current assets, net	92	105
Other current assets	$ 15,074	$ 18,301

Other Assets **—** The following table summarizes the Company's other assets:

	March 31, 2025	December 31, 2024
Deposits	10,039	9,705
Miscellaneous assets, net	267	438
Other assets	$ 10,306	$ 10,143

(Dollars in thousands, except share and per share data)

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
Balance as of beginning of period	$ 33,515	$ 30,720
Initiation fees received	16,186	32,535
Refunds of initiation fees	(144)	(373)
Revenue recognized	(11,601)	(35,225)
Reclassifications and other	34	7,586
Balance at end of period	$ 37,990	$ 35,243

Other Current Liabilities — The following table summarizes the Company's other current liabilities:

	March 31, 2025	December 31, 2024
Operating lease liabilities	$ 17,325	$ 18,200
Insurance financing	702	2,258
Miscellaneous current liabilities	5,380	2,970
Other current liabilities	$ 23,407	$ 23,428

(Dollars in thousands, except share and per share data)

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 shares in AGC. 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 March 31, 2025 has been reduced to an undiscounted nominal value of $113.5 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 March 31, 2025 the Trusts had refunded a total of approximately $1.3 million of MDLs, all of which they were obligated to pay under the terms of the assumption agreements.

Other Income (Loss), Net - These items are comprised of the following:

	Three Months Ended March 31,	
	2025	2024
Insurance proceeds	$ 1,145	$ 1,049
Other income	(607)	(776)
Other gain, net	$ 538	$ 273

Note 3. REVENUES

The majority of the Company’s revenue is recognized at the time of sale to customers at the Company’s entertainment golf venues and traditional golf properties, including green fees, cart rentals, bay play, 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. Initiation fees are non-refundable and recorded as revenue over the expected seven year life of an active membership.

(Dollars in thousands, except share and per share data)

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

	Three Months Ended March 31, 2025				
	Ent. golf venues	Public golf proper-ties	Private golf proper-ties	Managed golf proper-ties (A)	Total
Golf operations	$ 6,794	$ 27,336	$ 17,157	$ 5,749	$ 57,036
Sales of food and beverages	9,744	5,944	1,884	—	17,572
Total revenues	$ 16,538	$ 33,280	$ 19,041	$ 5,749	$ 74,608

	Three Months Ended March 31, 2024				
	Ent. golf venues	Public golf proper-ties	Private golf proper-ties	Managed golf proper-ties (A)	Total
Golf operations	$ 8,699	$ 23,688	$ 15,761	$ 6,616	$ 54,764
Sales of food and beverages	12,314	6,187	1,989	—	20,490
Total revenues	$ 21,013	$ 29,875	$ 17,750	$ 6,616	$ 75,254

(A) Includes $5.2 million for the three months ended March 31, 2025, and $5.4 million for the three months ended March 31, 2024, respectively, related to management contract reimbursements reported under ASC 606.

Note 4. SEGMENT REPORTING

The Company currently has three reportable segments: (i) entertainment golf, (ii) traditional golf and (iii) corporate. The chief operating decision maker ("CODM") for each segment is the 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 March 31, 2025, 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 is one of the largest operators of golf courses and country clubs in the United States. As of March 31, 2025, the Company owned, leased or managed 42 traditional golf properties across four states.

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

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.

(Dollars in thousands, except share and per share data)

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

Three Months Ended March 31, 2025	Entertainment Golf	Traditional Golf	Corporate	Total
Revenues				
Golf operations	$ 6,794	$ 50,241	$ —	$ 57,035
Sales of food and beverages	9,744	7,829	—	17,573
Total revenues	**16,538**	**58,070**	**—**	**74,608**
Less:				
Operating expenses	13,218	46,527	—	59,745
Cost of sales - food and beverages	2,409	2,273	—	4,682
General and administrative expense (A)	—	—	2,678	2,678
Management fee to affiliate	—	—	1,973	1,973
Segment Adjusted EBITDA	**911**	**9,270**	**(4,651)**	**5,530**
Reconciliation of Segment Adjusted EBITDA to Loss before income tax				
Depreciation and amortization				6,247
Interest and investment income				(39)
Interest expense (C)				3,467
Other expense, net				(538)
Loss before income tax				**(3,607)**

Three Months Ended March 31, 2024	Entertainment Golf	Traditional Golf	Corporate	Total
Revenues				
Golf operations	$ 8,876	$ 45,888	$ —	$ 54,764
Sales of food and beverages	12,593	7,897	—	20,490
Total revenues	**21,469**	**53,785**	**—**	**75,254**
Less:				
Operating expenses	14,282	44,654	—	58,936
Cost of sales - food and beverages	2,746	2,318	—	5,064
General and administrative expense	—	—	3,058	3,058
Segment Adjusted EBITDA	**4,441**	**6,813**	**(3,058)**	**8,196**
Reconciliation of Segment Adjusted EBITDA to Loss before income tax				
Depreciation and amortization				7,361
Pre-opening costs (B)				1,261
Interest and investment income				(6)
Interest expense (C)				4,608
Other expense, net				(273)
Loss before income tax				**(4,755)**

(A) General and administrative expenses include severance expense in the amount of $0.03 million for the three months ended March 31, 2025 and $0.02 million for the three months ended March 31, 2024, respectively.

(B) Pre-opening costs are expensed as incurred and consist primarily of venue-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 included the accretion of membership deposit liabilities in the amount of $2.4 million for the three months ended March 31, 2025 and $2.2 million for the three months ended March 31, 2024, respectively.

(Dollars in thousands, except share and per share data)

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

	March 31 2025	December 31 2024
Entertainment Golf	$ 166,126	$ 169,789
Traditional Golf	201,428	203,969
Corporate	28,773	28,274
Total Assets	$ 396,327	$ 402,032

(Dollars in thousands, except share and per share data)

Note 5. PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

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

	March 31, 2025			December 31, 2024		
	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	193,128	(69,278)	123,850	193,003	(66,112)	126,891
Furniture, fixtures and equipment	75,148	(52,404)	22,744	74,538	(50,227)	24,311
Finance leases - equipment	14,962	(8,409)	6,553	14,632	(7,833)	6,799
Construction in progress	4,964	—	4,964	2,460	—	2,460
Total Property and Equipment	$ 294,972	$ (130,091)	$ 164,881	$ 291,403	$ (124,172)	$ 167,231

Note 6. LEASES

The Company's commitments under lease arrangements are primarily 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. The company has excluded these renewal options from the lease term. 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. During the three months ended March 31, 2025, the Company did not enter into new operating leases or modify existing leases.

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.

Note 7. INTANGIBLES, NET OF ACCUMULATED AMORTIZATION

The following table summarizes the Company's intangible assets:

	March 31, 2025			December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade name	$ 700	$ (262)	$ 438	$ 700	$ (257)	$ 443
Management contracts	18,212	(11,399)	6,813	18,211	(11,146)	7,065
Internally-developed software	1,168	(625)	543	1,168	(570)	598
Membership base	785	(256)	529	785	(240)	545
Non-amortizable liquor licenses	1,264	—	1,264	1,264	—	1,264
Total intangibles	$ 22,129	$ (12,542)	$ 9,587	$ 22,128	$ (12,213)	$ 9,915

(Dollars in thousands, except share and per share data)

Note 8. DEBT

The following table presents certain information regarding the Company's debt obligations excluding financing leases at March 31, 2025 and December 31, 2024:

		March 31, 2025								December 31, 2024	
Debt Obligation/ Collateral	Month Issued	Outstanding Face Amount	Carrying Value (A)	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
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	51,136	Apr 2035	SOFR+2.25%	7.07 %	10.1	51,004		51,004	51,139
Total debt obligations		51,204	51,336							51,204	51,339
Less current portion of debt			—								
Debt obligations - noncurrent		$ 51,204	$ 51,336							51,204	51,339

(A) Including the effect of deferred financing costs.
(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 March 31, 2025, 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 March 31, 2025, the interest rate was 3.45%.

Junior subordinated notes payable

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 SOFR plus 2.25% annually and all principal repayment is due at maturity. At March 31, 2025, the interest rate was 7.10%.

Note 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 three months ended March 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.

(Dollars in thousands, except share and per share data)

Note 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements

We measure our financial assets and liabilities at fair value on a recurring basis using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Authoritative guidance establishes three levels of the fair value hierarchy as follows:

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 at March 31, 2025 and December 31, 2024, including those measured at fair value on a recurring basis within the financial statements and fair value measurements requiring disclosure only:

	March 31, 2025			December 31, 2024	
	Carrying Value	Estimated Fair Value	Fair Value Method (A)	Carrying Value	Estimated Fair Value
Liabilities					
Junior subordinated notes payable	$ 51,136	$ 38,824	Pricing models - Level 3	$ 51,139	$ 33,616

(A) Pricing models are used for (i) real estate securities that were not traded in an active market, and, therefore, had 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 not traded.

The Company’s real estate securities and debt obligations were not traded in active markets and therefore had little or no price transparency. As a result, the Company 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.

(Dollars in thousands, except share and per share data)

Non-recurring Fair Value Measurements

We measure certain property and equipment, operating lease right-of use assets, and non-amortizing intangible assets at fair value on a non-recurring basis if impairment indicators are present. These assets are written down to fair value when they are classified as held for sale or determined to be impaired. During the three months ended March 31, 2025 and 2024, no such measurements were performed and no impairment expense was recognized.

Note 11. EQUITY AND EARNINGS PER SHARE

Earnings per Share

The Company is required to present both basic and diluted earnings per share ("EPS"). The following table shows the amounts used in computing basic and diluted EPS:

	Three Months Ended March 31,	
	2025	2024
Numerator for basic and diluted earnings per share:		
Loss applicable to common stockholders	$ (5,103)	$ (6,297)
Denominator:		
Denominator for basic earnings per share - weighted average shares	170,993,346	166,841,446
Effect of dilutive securities		
RSUs	—	—
Denominator for diluted earnings per share - adjusted weighted average shares	170,993,346	166,841,446
Basic earnings per share:		
(Loss) income applicable to common stock, per share	$ (0.03)	$ (0.04)
Diluted earnings per share:		
(Loss) income applicable to common stock, per share	$ (0.03)	$ (0.04)

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 potentially 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:

	Three Months Ended March 31	
	2025	2024
Options	—	765,749
RSUs	11,878	4,082,697
Restricted Stock	28,449,178	28,449,178
Total potentially dilutive securities	28,461,056	33,297,624

Common Stock Issuances

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

(Dollars in thousands, except share and per share data)

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 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.

Restricted Stock Units (RSUs)

The following is a summary of the changes in the Company's RSUs for the three months ended March 31, 2025.

	Number of RSUs		Weighted Average Grant Date Fair Value (per unit)
Balance at December 31, 2024	11,878	$	4.77
Granted	—	$	—
Vested	—	$	—
Forfeited (A)	—	$	—
Balance at March 31, 2025	11,878	$	4.77

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

The Company generally grants 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 quarter ended March 31, 2025, there was no RSU activity.

Stock-based compensation expense is recognized on a straight-line basis through the vesting date of the RSUs in general and administrative expense on the Consolidated Statements of Operations. There was no stock-based compensation expense related to RSUs outside of the award to Michael Compton discussed below recognized during the three months ended March 31, 2024.

(Dollars in thousands, except share and per share data)

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.

There was no unrecognized stock-based compensation expense related to the unvested RSUs as of March 31, 2025.

Restricted Stock

The following is a summary of the changes in the Company's restricted stock for the quarter ended March 31, 2025:

	Shares of restricted stock	Weighted Average Grant Date Fair Value (per share)
Balance at December 31, 2024	$ 28,449,178	0.21
Granted	—	—
Vested	—	—
Forfeited (A)	—	—
Outstanding at March 31, 2025	$ 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

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 March 31, 2025, $18.3 million million of dividends on the Company's cumulative preferred stock were unpaid and in arrears.

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.

Noncontrolling Interest

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. In 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.

Note 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, personal injury 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 March 31, 2025, 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.

Environmental Costs — As a commercial real estate owner, the Company is subject to potential environmental costs. At March 31, 2025, 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 as of March 31, 2025 and December 31, 2024, respectively.

Month-to-Month Leases — The traditional golf segment has four month-to-month property leases which are cancellable by the parties with 30 days written notice. The traditional golf segment 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 March 31, 2025, the total face amount of initiation fee deposits was approximately $244.8 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 shares in AGC. 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 March 31, 2025, has been reduced to an undiscounted nominal value of $113.5 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 March 31, 2025 the Trusts had refunded a total of approximately $1.3 million of MDLs under the terms of the assumption agreements.

Preferred Dividends in Arrears - As of March 31, 2025, $18.3 million of dividends on the Company's cumulative preferred stock were unpaid and in arrears.

Note 13. INCOME TAXES

The Company's income tax provision (benefit) for interim periods is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period.

The Company's income tax provision was $0.2 million and $0.2 million for the three months ended March 31, 2025 and 2024, respectively.

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.

The Company recorded a valuation allowance against its deferred tax assets as of March 31, 2025 as management does not believe that it is more likely than not that the deferred tax assets will be realized.

The Company and its subsidiaries file U.S. federal and state income tax returns in various jurisdictions. As of March 31, 2025, the Company is currently not subject to examination by any jurisdiction.

At March 31, 2025 and December 31, 2024, the Company reported a total liability for unrecognized tax benefits of $0.3 million. The Company does not anticipate any significant increases or decreases to the balance of unrecognized tax benefits during the next 12 months.

Note 14. LOSS ON LEASE TERMINATIONS AND IMPAIRMENT

During the three months ended March 31, 2025 and 2024, the Company recorded no impairment charges.

(Dollars in thousands, except share and per share data)

During the three months ended March 31, 2025 and 2024, the Company recorded no charges related to the disposal of leased assets upon the termination of the related leases.

Note 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.

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:

	Three Months Ended March 31,	
	2025	2024
Management fee	$ 1,389	$ —
Expense reimbursement to the manager	584	—
Total Management fee to affiliate	$ 1,973	$ —

Note 16. SUBSEQUENT EVENTS

The Company evaluated subsequent events, if any, that would require an adjustment to the Company's consolidated financial statements or require disclosure in the notes to the consolidated financial statements through the date at which the consolidated financial statements were available to be issued on May 20, 2025.

ITEM 2. 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 I, Item 1. "Financial Statements."

GENERAL

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 OCTMKTS under the symbol "DSHK."

The Company conducts its business through two primary operating segments:

Entertainment Golf Business | *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 March 31, 2025, 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.

This segment also includes the Company's indoor entertainment golf brand, Puttery, a 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 March 31, 2025, 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, Miami, Florida, New York City, New York, and Chicago, Illinois. Puttery venues are indoor venues typically located in urban and suburban dining and entertainment districts.

Traditional Golf Business

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 March 31, 2025, we owned, leased or managed 42 properties across seven states. Effective June 30, 2024, we exited one management agreement related to a public managed course. Earlier in 2024, effective January 15, 2024, the Company did not renew the leases for three public courses at the time of their expiration, and on January 1, 2024, we exited nine management agreements related to private managed courses at the time of their expiration.

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.

RESULTS OF OPERATIONS

The following tables summarize our results of operations for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,		Increase (Decrease)	
(dollar amounts in thousands)	2025	2024	Amount	%
Revenues				
Golf operations (A)	$ 57,035	$ 54,764	$ 2,271	4.1 %
Sales of food and beverages	17,573	20,490	(2,917)	(14.2)%
Total revenues	74,608	75,254	(646)	(0.9)%
Operating costs				
Operating expenses (A)	59,745	58,936	809	1.4 %
Cost of sales - food and beverages	4,682	5,064	(382)	(7.5)%
General and administrative expense	2,678	3,058	(380)	(12.4)%
Depreciation and amortization	6,247	7,361	(1,114)	(15.1)%
Pre-opening costs	—	1,261	(1,261)	(100.0)
Management fee to affiliate	1,973	—	1,973	100.0 %
Total operating costs	75,324	75,680	(356)	(0.5)%
Operating income	(716)	(426)	290	68.1 %
Other income (expenses)				
Interest and investment income	39	6	33	550.0 %
Interest expense	(3,467)	(4,608)	(1,141)	(24.8)%
Other expense, net	538	273	265	(97.1)%
Total other income (expenses)	(2,890)	(4,329)	1,439	33.2 %
Income (loss) before income tax	$ (3,606)	$ (4,755)	$ (1,149)	(24.2)%

(A) Includes $5.2 million for the three months ended March 31, 2025, and $5.4 million for the three months ended March 31, 2024 related to management contract reimbursements reported under ASC 606.

Revenues from Golf Operations

Revenues from golf operations comprise principally of: (1) daily green fees, golf cart rentals, and The Player's Club membership dues at American Golf’s public properties, (2) initiation fees, membership dues and guest fees at American Golf’s private properties, (3) management fees and reimbursed operating expenses at American Golf’s managed courses and (4) bay play and game play at Drive Shack and Puttery locations.

Given the discretionary nature of our products, trends in consumer spending will impact our revenue from golf operations on a quarter-by-quarter basis and, particularly in traditional golf as an outdoor activity, and seasonal weather patterns have a significant impact.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	March 31, 2025	March 31, 2024	Amount	%
Golf operations	$ 57,035	$ 54,764	$ 2,271	4.1 %
Percentage of total revenue	*76.4 %*	*72.8 %*		

Revenue from golf operations increased from $54.8 million in the first quarter of 2024 to $57.0 million in the first quarter of 2025. The $2.3 million increase was driven by a $4.4 million increase from Traditional Golf and a $(2.1) million decrease from Entertainment Golf. The decline in Entertainment Golf revenues was mainly driven by a 37% decline in revenues at the Drive Shack Raleigh and West Palm Beach locations due to additional competition recently entering their respective markets. Excluding these two locations, same-store Entertainment Golf golf operations revenues declined by by 23% given the soft consumer demand and lower corporate event spending. The increase in Traditional Golf was driven by an increase in green fees and membership dues partially offset by a decrease in fees from the managed courses.

Sales of Food and Beverages

(dollar amounts in thousands)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Increase (Decrease) Amount	Increase (Decrease) %
Sales of food and beverages	$ 17,573	$ 20,490	$ (2,917)	(14.2)%
Percentage of total revenue	*23.6 %*	*27.2 %*		

Sales of food and beverages decreased from $20.5 million in the first quarter of 2024 to $17.6 million in the first quarter of 2025. The $(2.8) million decrease was mainly driven by a decline at the Entertainment Golf venues as Traditional Golf sales remained flat. Additional competition at the Drive Shack Raleigh and West Palm Beach locations coupled with soft consumer and corporate spending demand resulted in a 20% decline in both visitors and event pricing power.

Operating Expenses

Operating expenses consist of course and venue level payroll and payroll-related (including hourly and salary wages, bonuses and commissions, health benefits, and payroll taxes), occupancy (including rent, property tax, and common area maintenance), and other course and venue level operating expenses (including utilities, repair and maintenance, and marketing), excluding pre-opening costs, which are recorded separately. Operating expenses also include course level operating costs for our traditional golf managed courses, for which the Company is reimbursed.

(dollar amounts in thousands)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Increase (Decrease) Amount	Increase (Decrease) %
Operating expenses	$ 59,745	$ 58,936	$ 809	1.4 %
Percentage of total revenue	*80.1 %*	*78.3 %*		

Operating expenses increased from $59.0 million in the first quarter of 2024 to $59.7 million in the first quarter of 2025. Entertainment Golf expenses decreased by $1.0 million compared prior year due to reduction in payroll and operating expenses related to lower revenues.

Traditional Golf operating expense increased by $1.9 million primarily due to the increase in utilities and percentage rent in alignment with the increase in total revenue.

Cost of Sales - Food and Beverages

(dollar amounts in thousands)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Increase (Decrease) Amount	Increase (Decrease) %
Cost of sales - food and beverages	$ 4,682	$ 5,064	$ (382)	(7.5)%
Percentage of total revenue	*6.3 %*	*6.7 %*		

Cost of sales - food and beverages decreased by a total of $0.4 million across both business segments. The decrease was a result of a reduction of food and beverage sales at the Entertainment Golf venues.

General and Administrative Expense

General and administrative expense consists of costs associated with our corporate support and administrative functions that support development and operations and includes stock-based compensation.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	March 31, 2025	March 31, 2024	Amount	%
General and administrative expense	$ 2,678	$ 3,058	$ (380)	(12.4)%
Percentage of total revenue	*3.6 %*	*4.1 %*		

General and administrative expense decreased by a net of $0.4 million primarily due to reductions in corporate headcount, professional fees, and general cost reduction related to corporate expenses.

Depreciation and Amortization

Depreciation and amortization consists of depreciation on property and equipment and financing lease assets, as well as amortization of intangible assets.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	March 31, 2025	March 31, 2024	Amount	%
Depreciation and amortization	$ 6,247	$ 7,361	$ (1,114)	(15.1)%
Percentage of total revenue	*8.4 %*	*9.8 %*		

Depreciation and amortization decreased by a net amount of $1.1 million due to the impairment of the Puttery New York and Puttery Kansas City venues in Q4 2024.

Pre-Opening Costs

Pre-opening costs consist primarily of venue-related lease expenses, employee payroll, marketing expenses, travel and related expenses, training costs, food, beverage and other operating expenses incurred prior to opening an entertainment golf venue.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	March 31, 2025	March 31, 2024	Amount	%
Pre-opening costs	$ —	$ 1,261	$ (1,261)	(100.0)%
Percentage of total revenue	*— %*	*1.7 %*		

There was no pre-opening expenses in the three months ending in March 31, 2025 as no new venues were opened.

Interest and Investment Income

Interest and investment income consists primarily of interest earned on cash balances and a real estate security. This security was sold or redeemed in its entirety by January 31, 2024.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	March 31, 2025	March 31, 2024	Amount	%
Interest and investment income	$ 39	$ 6	$ 33	550.0 %
Percentage of total revenue	*0.1 %*	*— %*		

Interest Expense, Net

Interest expense, net, consists primarily of interest expense on the accretion of membership deposit liabilities, on the Company's junior subordinated notes payable, and on financing lease obligations, offset by amounts capitalized into construction in progress during the construction and development of new venues.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	March 31, 2025	March 31, 2024	Amount	%
Interest expense	$ (3,467)	$ (4,608)	$ (1,141)	(24.8)%
Percentage of total revenue	*(4.6)%*	*(6.1)%*		

Interest expense declined by $1.1 million during the period, primarily due to the full repayment of the Entertainment Golf Facility in Q4 of 2024.

Other Income (Loss), Net

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	March 31, 2025	March 31, 2024	Amount	%
Other expense, net	$ 538	$ 273	$ 265	(97.1)%
Percentage of total revenue	*0.7 %*	*0.4 %*		

Other Income for three months ending in March 31, 2025 mainly consisted of one-time insurance proceeds from a 2021 property insurance claim.

SEGMENT RESULTS

Entertainment Golf

(in thousands)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Increase (Decrease) Amount
Revenues			
Golf operations	$ 6,794	$ 8,876	$ (2,082)
Sales of food and beverages	9,744	12,593	(2,849)
Total revenues	16,538	21,469	(4,931)
Total operating costs	19,844	23,063	(3,219)
Operating loss	$ (3,306)	$ (1,594)	$ (1,712)

Total revenues

The decline in total Entertainment Golf revenues was mainly driven a 40% reduction in revenues from the Drive Shack Raleigh and West Palm Beach venues due to additional competition entering their respective markets. Remaining same-store revenues declined by 18% decline resulting from soft consumer and corporate events demand.

Operating loss

The increase in operating loss during the three months ended March 31, 2025 to prior year was mainly driven by the $4.9 million revenue reduction which was partially offset by $3.2 million in operating cost savings stemming from lower business volume.

Traditional Golf

(in thousands)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Increase (Decrease) Amount
Revenues			
Golf operations	$ 50,241	$ 45,888	$ 4,353
Sales of food and beverages	7,829	7,897	(68)
Total revenues	58,070	53,785	4,285
Total operating costs	50,564	49,145	1,419
Operating income	$ 7,506	$ 4,640	$ 2,866

Total revenues

The increase in traditional golf revenues during the three months ended March 31, 2025 was driven by an increase in green fees of $3.8 million and member dues of $1.2 million.

Operating income

The increase in operating income during the three months ended March 31, 2025 was mainly driven by an increase in total revenue of $4.3 million and payroll margins staying flat year over year.

Corporate

(in thousands)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Increase (Decrease) Amount
Revenues			
Golf operations	$ —	$ —	$ —
Total revenues	—	—	—
Total operating costs	4,916	3,472	1,444
Operating loss	$ (4,916)	$ (3,472)	$ (1,444)

Operating loss

Operating Costs at the Corporate segment consists of General and Administrative expense, Depreciation and Amortization, and Management Fee. The $1.4 million increase in Corporate expenses mainly was mainly driven by $2.0 million in management fee and management fee reimbursement. Non-management fee expenses declined by $0.5 million due to reduction in corporate headcount.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity are our current balances of cash and cash equivalents that are generated from operations. As of March 31, 2025, the Company had $10.9 million of available cash.

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

The Company's growth strategy is capital intensive 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 reminder 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.

Summary of Cash Flows

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

	Three Months Ended March 31,	
	2025	2024
Net cash (used in) provided by:		
Operating activities	$ 6,262	$ 13,556
Investing activities	(1,979)	(7,340)
Financing activities	(1,316)	(1,662)
Net Increase in Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent	$ 2,967	$ 4,554

<u>Operating Activities</u>

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 provided by operating activities was $7.4 million for the three months ended March 31, 2025, and $13.5 million for the three months ended March 31, 2024.

The $(6.1) million decrease in operating cash flow was driven by a $(5.0) million decrease in receivables from managed courses no longer in our portfolio and $(1.1) million decrease in operating performance at the venue level.

Investing Activities

Cash flows from investing activities primarily relate to cash flows used in investing activities such as capital expenditures for the construction and development of entertainment golf venues and renovations of existing facilities, as well as renovations and maintenance for the Traditional Golf facilities.

Net cash used in investing activities was $3.1 million during the three months ended March 31, 2025 and $7.3 million during the three months ended March, 2024. The decrease in the amount of cash used was a result of no significant capital expenditure spend for Entertainment Golf in Q1 2025 compared to the development of two Putterys in Q1 2024.

Our capital expenditures for the three months ended March 31, 2025 were $3.1 million for ongoing maintenance on select Traditional Golf venues.

We expect our capital expenditures over the next 12 months to range between $1M to $2M for Entertainment Golf which includes maintenance of the existing venues.

Capital expenditures from Traditional Golf are expected to be between $10.0 million and $12.0 million over the next 12 months for the maintenance of our golf courses which would be funded by cash flows generated from operations.

Financing Activities

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

Net cash used in financing activities was $(1.3) million during the three months ended March 31, 2025. The $(0.3) million decrease in cash used in financing activities was due to no principal due on the MGG debt.

Off-Balance Sheet Arrangements

There have been no significant changes to our off-balance sheet arrangements as disclosed in our Annual Report for the fiscal year ended December 31, 2024

CONTRACTUAL OBLIGATIONS

During the three months ended March 31, 2025, we had all of the material contractual obligations referred to in our Annual Report for the year ended December 31, 2024.

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.

Recent Accounting Pronouncements

There were no recent accounting pronouncements that had an impact during the current period.

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.

ITEM 4. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

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.

There have been no material changes to our exposure to market risks as described in Part II, Item 7A of our Annual Report for the fiscal year ended December 31, 2024.

ITEM 6. ISSUER'S CERTIFICATIONS

I, Michael Compton, certify that:

1. I have reviewed this quarterly disclosure statement of Drive Shack Inc.;

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

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

DRIVE SHACK INC.

/s/ Michael Compton

Interim Chief Executive Officer

May 20, 2025

I, Anthony Hsu, certify that:

1. I have reviewed this quarterly disclosure statement of Drive Shack Inc.;

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

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

DRIVE SHACK INC.

/s/ Anthony Hsu

Interim Chief Financial Officer

May 20, 2025