



# DRIVE SHACK

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**Investor Presentation**

*Second Quarter 2017*

# Disclaimers

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

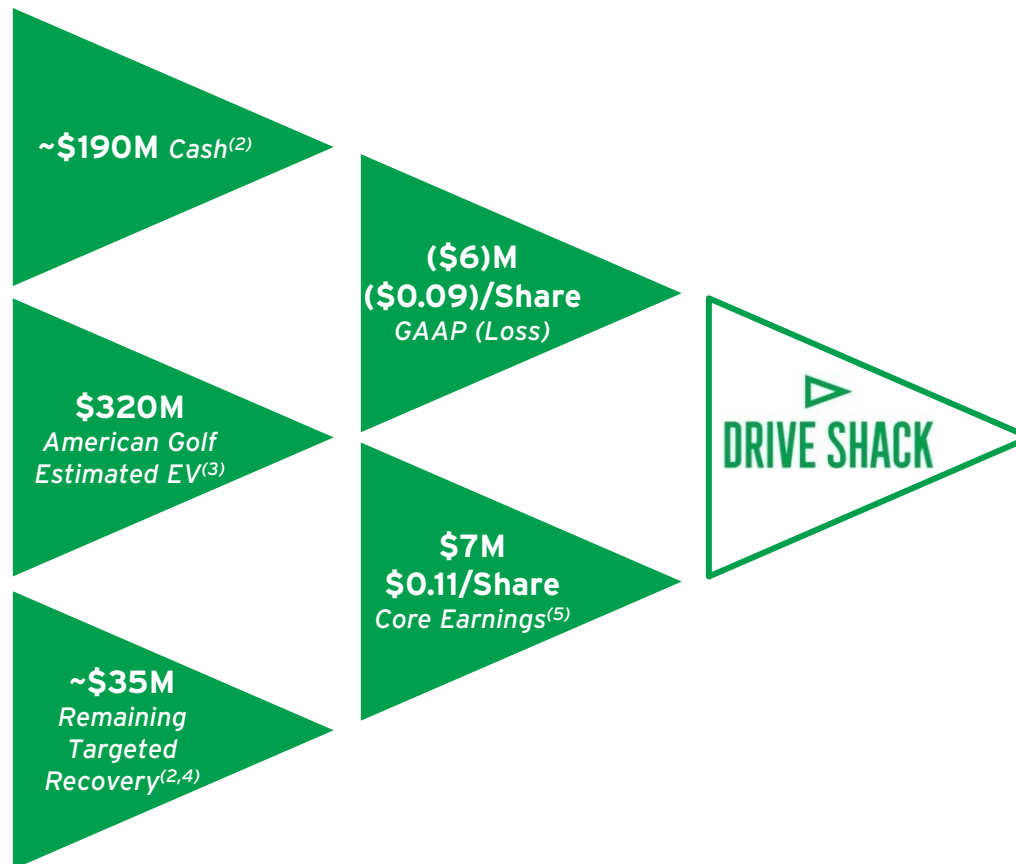
**FORWARD-LOOKING STATEMENTS.** Certain items in this Presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding Drive Shack Inc.’s (NYSE: DS; “DS Inc.” or the “Company” and “we,” “us” and “our,” as applicable) estimated American Golf enterprise value, continuing to monetize our legacy debt portfolio, our ability to recover and timing of remaining targeted recovery of \$35 million, potential returns on our investments, targeted investment returns for the Traditional Golf business, 2017 Target Adjusted EBITDA (“2017E Adjusted EBITDA”) for the Traditional Golf business, ability to drive growth in our Traditional Golf business, targeted yields and returns, and our ability to execute Drive Shack business plan, including (i) the number of Drive Shack venues that we may be able to develop, (ii) timing for opening venues, (iii) current management expectations for such venues, and (iv) ability of Drive Shack to serve as a growth engine for Drive Shack Inc. These statements are based on management’s current expectations and beliefs and are subject to a number of risks, trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, many of which are beyond our control. Neither Drive Shack Inc. or FIG LLC, an affiliate of Fortress Investment Group (“Fortress”) that is Drive Shack Inc.’s manager, can give any assurance that expectations will be attained. Factors that could cause actual results to differ materially from expectations include, but are not limited to, the risk that we do not deploy investable cash as quickly as we anticipate or our acquisitions are not as successful as anticipated, competition, an unfavorable supply-demand imbalance, or reputational harm, and the other risks detailed in Drive Shack Inc.’s periodic reports filed with the Securities and Exchange Commission (“SEC”). In addition, new risks and uncertainties emerge from time to time, and it is not possible to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking statements contained in this Presentation. Forward-looking statements speak only as of the date of this Presentation. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

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

# Drive Shack Inc. - Business Overview<sup>(1)</sup>

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



1) As of June 30, 2017, unless otherwise indicated.

2) Cash as of June 30, 2017 of approximately \$120 million plus \$70 million for the full repayment of the Intrawest-related loan in August 2017.

3) \$320 million of estimated enterprise value is calculated based on the midpoint of 2017E Adjusted ("Adj.") EBITDA of \$36 million at a 9x multiple, excluding other assets, \$102 million of long-term financing and other liabilities. Adj. EBITDA multiple of 9x is based on the median EBITDA multiple of our leisure trading comparables, including ClubCorp, Vail Resorts Inc., Intrawest Resorts and Peak Resorts, Inc. 2017E Adj. EBITDA is a non-GAAP measure. See reconciliation to the most comparable GAAP measure and endnotes at the end of this Presentation. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

4) Remaining targeted recovery is management's current targeted real estate debt recovery, and is based on management's current assessment of market conditions, credit quality of relevant borrowers and any losses or gains on the underlying collateral. The timing and amounts of such recovery are outside of our control. As a result, actual recovery may vary materially from targeted recovery. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

5) Core Earnings is a non-GAAP measure. See reconciliation to the most comparable GAAP measure and endnotes at the end of this Presentation.

# Drive Shack Inc. - Business Highlights



## American Golf

Primary Plan: Grow Organically<sup>(3)</sup>

- ✓ 2Q'17 YTD Adj. EBITDA of \$14 million<sup>(1)</sup>
- ✓ Remain on track to achieve 2017E Adj. EBITDA of \$35 to \$37 million<sup>(1,2,3)</sup>
- ✓ Illustrative multiple: 8-10x Adj. EBITDA<sup>(4)</sup>

## Drive Shack

Primary Plan: Successfully Open & Operate New Sites<sup>(3)</sup>

- ✓ Orlando, FL - aim to open 1Q 2018
- ✓ Richmond, VA - aim to open in 2H 2018
- ✓ Raleigh, NC - aim to open in 2H 2018
- ✓ Other venues in various stages of development
- ✓ Large pipeline across U.S. and globally
- ✓ Targeting \$3 to \$6 million of EBITDA per site
- ✓ Illustrative multiple: 15x EBITDA<sup>(5)</sup>

## "Liquidity"<sup>(6)</sup>

Primary Plan: Redeploy Into Leisure<sup>(3)</sup>

- ✓ Intrust-related loan fully repaid in August
- ✓ ~\$225 million of total "liquidity"
  - \$190 million cash<sup>(7)</sup>
  - \$35 million remaining targeted recovery<sup>(3,8)</sup>

1) Adj. EBITDA is a non-GAAP measure. See reconciliation to the most comparable GAAP measure and endnotes at the end of this Presentation.

2) There can be no assurance that we will achieve 2017E Adj. EBITDA and actual results may differ materially.

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

4) Adj. EBITDA multiple of 8-10x is based on the EBITDA multiples of our leisure trading comparables, including ClubCorp, Vail Resorts Inc., Intrust Resorts and Peak Resorts, Inc. There can be no assurances that we will achieve such illustrative valuation, and actual valuation may differ materially.

5) Based on equity research and management estimates of entertainment peers. No report of any research analysts is incorporated by reference herein. There can be no assurances that we will achieve such illustrative valuation, and actual valuation may differ materially.

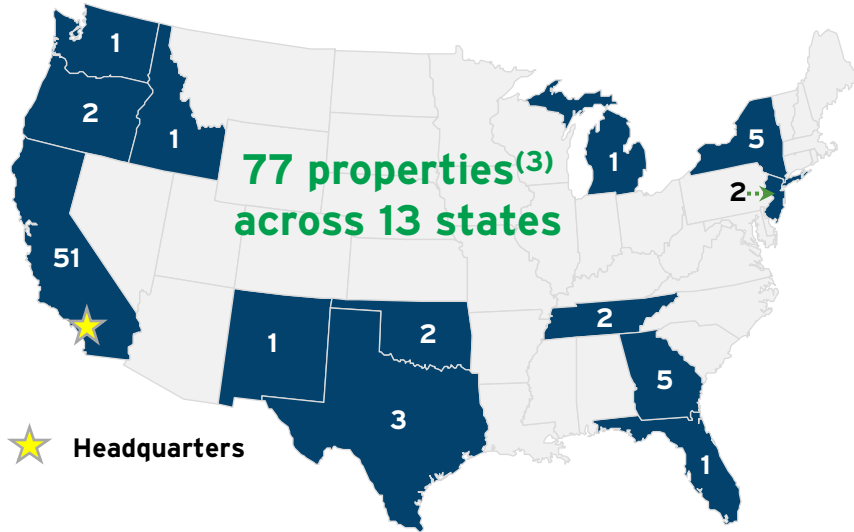
6) "Liquidity" will be used to fund customary expenses related to running the Company as well as be reinvested into Drive Shack and American Golf.

7) Cash as of June 30, 2017 of approximately \$120 million plus \$70 million for the full repayment of the Intrust-related loan in August 2017.

8) Remaining targeted recovery is based on management's current assessment of market conditions, credit quality of relevant borrowers and any losses or gains on the underlying collateral. The timing and amounts of such recovery are outside of our control. As a result, actual recovery may vary materially from targeted recovery.

# American Golf - Company Overview<sup>(1)</sup>

One of the largest owners & operators of golf properties in the U.S.<sup>(2)</sup>



**3.9mm**  
Rounds/TTM<sup>(4)</sup>

**4.6K acres**  
Owned Real Estate

**1.4K**  
Holes of Golf

**75%+**  
Top 20 MSAs<sup>(5)</sup>

**42K**  
The Players Club  
Total Members<sup>(6)</sup>

**14K**  
Private  
Members<sup>(7)</sup>

(# of properties)	Total	Owned	Leased	Managed
Private	21	15	4	2
Public	56	12	37	7
<b>Total</b>	<b>77</b>	<b>27</b>	<b>41</b>	<b>9</b>

Note: Information presented as of June 30, 2017, except as otherwise noted.

1) Total number of properties reflects the total number of public and private properties that are owned, leased or managed by American Golf as of June 30, 2017. The operating and financial metrics on this page reflect results from the 68 properties that were owned or leased as of June 30, 2017, and excludes the 9 managed properties.

2) Golf Inc. Magazine.

3) American Golf began 2017 with 78 properties and exited 1 municipal management agreement during 2Q 2017.

4) TTM represents Trailing Twelve Months ending June 30, 2017.

5) Metropolitan Statistical Areas.

6) The Players Club is a membership program offered at most of American Golf's public properties, where members receive benefits such as golf clinics and range access in exchange for a monthly fee.

7) Includes full golf members, limited golf members and other members (i.e., social members).

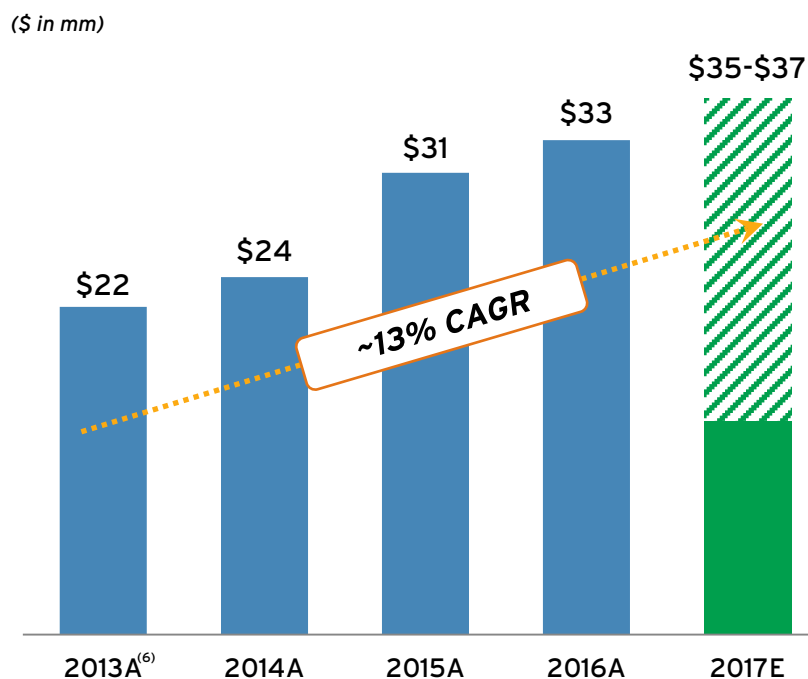
# American Golf - Performing Well & Positioned for Growth in 2017<sup>(1)</sup>

- 2Q 2017 TTM Same Store revenue of \$291 million is +1%, or +\$2 million, vs. 2Q 2016 TTM<sup>(2)</sup>
- 2Q 2017 TTM Adj. EBITDA of \$33 million is +4%, or +\$1 million, vs. 2Q 2016 TTM<sup>(3)</sup>
- 2017E Adj. EBITDA of \$35 to \$37 million - at the midpoint, implies a 9% year-over-year increase<sup>(4)</sup>

## 2Q 2017 TTM Same Store Results<sup>(2)</sup>

	2Q '17 TTM	2Q '16 TTM	vs. 2Q '16 TTM Δ	% Δ
<b>Private Metrics (19 properties)</b>				
Revenue (\$mm)	\$131	\$128	+\$3	+2%
Avg. Dues / Avg. FG Member	\$5,963	\$5,752	+\$211	+4%
Full Golf ("FG") Members	8,837	8,654	+183	+2%
FG Occupancy	84.8%	83.1%	+176 bps	+2%
<b>Public Metrics (49 properties)</b>				
Revenue (\$mm)	\$160	\$161	-\$1	-1%
Total Rounds	3.2M	3.3M	-0.1M	-3%
Avg. Fees / Round <sup>(5)</sup>	\$40.19	\$39.42	+\$0.77	+2%
The Players Club Members	42K	35K	+7K	+20%

## Adjusted EBITDA Growth<sup>(3,4)</sup>



Note: Discrepancies may exist due to rounding.

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

2) Same Store properties include properties that were owned or leased as of June 30, 2016 and June 30, 2017, and excludes the 9 managed properties.

3) Adjusted EBITDA is a non-GAAP measure. See reconciliation to the most comparable GAAP measure and endnotes at the end of this Presentation.

4) There can be no assurance that we will achieve 2017E Adj. EBITDA and actual results may differ materially. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

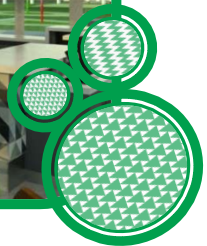
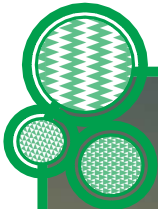
5) Avg. Fees / Round is calculated by dividing the sum of greens fees, cart fees, range revenue, merchandise and a portion of food & beverage revenue by the total number of public golf rounds played.

6) DS acquired American Golf Corporation ("AGC") in December 2013. 2013A reflects unaudited predecessor financial information prior to the acquisition and may not be comparable to subsequent financial information.

# Drive Shack - Growth Driver Of Our Business<sup>(1)</sup>

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

- **3-story indoor/outdoor driving ranges with +90 suites**
- **Multi-player range suites offer competitive games that both non-golfers and golfers can enjoy**
- **Venues will include full-service restaurant, bar and event space**



# Drive Shack Market - U.S. & Global Opportunity<sup>(1)</sup>

- Developing first venue in Orlando, FL - aim to open in 1Q 2018
- Next venues being developed in Richmond, VA and Raleigh, NC - working towards opening in 2H 2018
- Evaluating a robust pipeline of potential sites across the top 100 MSAs, American Golf properties and globally
- Expect the average site to cost \$20 to \$25 million to build, and targeting \$3 to \$6 million of EBITDA per site



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



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# Appendix

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

# Consolidated Balance Sheet

(\$ in 000s)

Assets	As of 6/30/2017	As of 12/31/2016
<i>Real estate securities, available-for-sale</i>	\$2,114	\$1,950
<i>Real estate securities, available-for-sale - pledged as collateral</i>	319,184	627,304
<i>Real estate related and other loans, held-for-sale, net</i>	62,708	55,612
<i>Investments in real estate, net of accumulated depreciation</i>	218,668	217,611
<i>Intangibles, net of accumulated amortization</i>	61,341	65,112
<i>Other investments</i>	20,019	19,256
<i>Cash and cash equivalents</i>	118,030	140,140
<i>Restricted cash</i>	5,338	6,404
<i>Receivables from brokers, dealers and clearing organizations</i>	--	552
<i>Receivables and other assets</i>	41,041	38,017
<b><i>Total Assets</i></b>	<b>\$848,443</b>	<b>\$1,171,958</b>
<b>Liabilities</b>		
<i>Repurchase Agreements</i>	307,689	600,964
<i>Credit Facilities and obligations under capital leases</i>	116,131	115,284
<i>Junior subordinated notes</i>	51,212	51,217
<i>Dividends payable</i>	930	8,949
<i>Membership deposit liabilities</i>	92,129	89,040
<i>Accounts payable, accrued expenses and other liabilities</i>	81,092	88,437
<b><i>Total Liabilities</i></b>	<b>\$649,183</b>	<b>\$953,891</b>
<b>Stockholders' Equity</b>		
<i>Preferred Stock</i>	\$61,583	\$61,583
<i>Common Equity</i>	137,677	156,484
<b><i>Total Stockholders' Equity</i></b>	<b>\$199,260</b>	<b>\$218,067</b>
<b><i>Total Liabilities &amp; Stockholders' Equity</i></b>	<b>\$848,443</b>	<b>\$1,171,958</b>

# Consolidated Income Statement

(\$ in 000s)

Income Statement	2Q 2017	2Q 2016
<b>Revenues:</b>		
Golf course operations	\$60,639	\$62,872
Sales of food and beverages	20,721	21,612
<b>Total revenues</b>	<b>\$81,360</b>	<b>\$84,484</b>
<b>Operating costs:</b>		
Operating expenses	65,914	68,200
Cost of sales - food and beverages	6,009	6,516
General and administrative expense	3,222	3,723
Management fee to affiliate	2,677	2,676
Depreciation and amortization	5,972	6,484
Impairment	32	645
Realized and unrealized loss on investments	3,287	1,462
<b>Total operating costs</b>	<b>87,113</b>	<b>89,706</b>
<b>Operating loss</b>	<b>\$(5,753)</b>	<b>\$(5,222)</b>
<b>Other income (expenses):</b>		
Interest and investment income	6,395	20,421
Interest expense	(5,131)	(12,417)
Other income (loss), net	293	514
<b>(Loss) Income before income tax</b>	<b>\$(4,196)</b>	<b>\$3,296</b>
Income tax expense	510	138
<b>Net (Loss) Income</b>	<b>\$(4,706)</b>	<b>\$3,158</b>
Preferred dividends	(1,395)	(1,395)
Net (income) attributable to non-controlling interests	--	(112)
<b>(Loss) Income Applicable to Common Shareholders</b>	<b>\$(6,101)</b>	<b>\$1,651</b>
Per WA Basic Share	(\$0.09)	\$0.02



# GAAP Reconciliation - Core Earnings<sup>(1)</sup>

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

<i>(\$ in 000s, except per share)</i>	2Q 2017	2Q 2016
<b>Reconciliation of Core Earnings</b>		
(Loss) Income applicable to common stockholders	(\$6,101)	\$1,651
<b>Add (Deduct):</b>		
Impairment	32	645
Realized and unrealized loss on investments	3,287	1,462
Other loss (income) <sup>(2)</sup>	90	(140)
Depreciation and amortization <sup>(3)</sup>	8,607	9,029
Acquisition, restructuring and spin-off related expenses <sup>(4)</sup>	1,275	1,246
<b>Core Earnings</b>	<b>\$7,190</b>	<b>\$13,893</b>
<b>Per WA Basic Share</b>	<b>\$0.11</b>	<b>\$0.21</b>
<b>Per WA Diluted Share</b>	<b>\$0.11</b>	<b>\$0.20</b>

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

# GAAP Reconciliation - Core Earnings (Continued)<sup>(1)</sup>

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

2) Other Income Reconciliations:

<i>(\$ in 000s)</i>	2Q 2017	2Q 2016
Total other income	\$1,557	\$8,518
<i>Add (Deduct):</i>		
Equity in earnings from equity method investees	(383)	(374)
Interest and investment income	(6,395)	(20,421)
Interest expense	5,131	12,417
<b>Other income (loss)</b>	<b>\$(90)</b>	<b>\$140</b>

3) Including accretion of membership deposit liabilities of \$1.6 million and \$1.4 million and amortization of favorable and unfavorable leasehold intangibles of \$1.1 million and \$1.1 million in the three months ended June 30, 2017 and 2016, respectively. The accretion of membership deposit liabilities was recorded to interest expense and the amortization of favorable and unfavorable leasehold intangibles was recorded to operating expenses.

4) Including acquisition and transaction expenses of \$1.2 million and \$1.2 million and restructuring expenses of less than \$0.1 million and zero during the three months ended June 30, 2017 and 2016, respectively. The acquisition and transaction costs were recorded to general and administrative expense and restructuring expenses were recorded to operating expenses.

## GAAP Reconciliation - 2Q 2017 YTD & 2Q 2017 TTM Adjusted EBITDA<sup>(1)</sup>

(\$ in 000s)	A	B	C	A + B - C
	Six Months Ended	Full Year Ended	Six Months Ended	Trailing Twelve Months Ended
	6/30/2017	2016	6/30/2016	6/30/2017
<b>Net Loss Applicable to Common Stockholders for Traditional Golf</b>	<b>(\$12,247)</b>	<b>(\$29,742)</b>	<b>(\$11,708)</b>	<b>(\$30,281)</b>
<i>Add:</i>				
Interest Expense, net	7,598	12,336	5,286	14,648
Income Tax Expense	-	188	182	6
Depreciation and Amortization	11,765	26,496	12,515	25,746
Amortization of favorable/unfavorable leasehold intangibles	2,056	4,451	2,321	4,186
<b>EBITDA</b>	<b>\$9,172</b>	<b>\$13,729</b>	<b>\$8,596</b>	<b>\$14,305</b>
Other Loss	1,119	9,097	292	9,924
Other Tax Expense in Lieu of Income Taxes	181	136	135	182
Change in deferred revenue related to initiation fee deposits	914	2,321	1,349	1,886
Rental Expense for Cart and Equipment under Operating Leases	1,625	3,776	1,945	3,456
Adjusted EBITDA from terminated non-core courses	(21)	170	21	128
Acquisition, Transaction, and Restructuring Costs <sup>(2)</sup>	500	2,002	1,337	1,165
DS Inc. Corporate G&A	904	1,619	996	1,527
<b>ADJ. EBITDA</b>	<b>\$14,394</b>	<b>\$32,850</b>	<b>\$14,671</b>	<b>\$32,573</b>

1) Please refer to the Adjusted EBITDA endnotes in the back of this Presentation.

2) Includes restructuring expenses of less than \$0.1 million, \$0.4 million and \$0.3 million during the quarter ended June 30, 2017, the year ended December 31, 2016 and the quarter ended June 30, 2016, respectively. Restructuring expenses were recorded to operating expenses.

# GAAP Reconciliation - 2Q 2016 YTD & 2Q 2016 TTM Adjusted EBITDA<sup>(1)</sup>

(\$ in 000s)	A	B	C	A + B - C
	Six Months Ended	Full Year Ended	Six Months Ended	Trailing Twelve Months Ended
	6/30/2016	2015	6/30/2015	6/30/2016
<b>Net Loss Applicable to Common Stockholders for Traditional Golf</b>	<b>(\$11,708)</b>	<b>(\$14,510)</b>	<b>(\$14,440)</b>	<b>(\$11,778)</b>
<i>Add:</i>				
Interest Expense, net	5,286	13,363	7,228	11,421
Income Tax Expense	182	345	73	454
Depreciation and Amortization	12,515	28,682	13,872	27,325
Amortization of favorable/unfavorable leasehold intangibles	2,321	4,942	2,507	4,756
<b>EBITDA</b>	<b>\$8,596</b>	<b>\$32,822</b>	<b>\$9,240</b>	<b>\$32,178</b>
Other Loss (Income)	292	(13,180)	228	(13,116)
Other Tax Expense in Lieu of Income Taxes	135	196	153	178
Change in deferred revenue related to initiation fee deposits	1,349	2,629	1,320	2,658
Rental Expense for Cart and Equipment under Operating Leases	1,945	4,551	2,293	4,203
Adjusted EBITDA from terminated non-core courses	21	(22)	-	(1)
Acquisition, Transaction, and Restructuring Costs <sup>(2)</sup>	1,337	1,548	354	2,531
DS Inc. Corporate G&A	996	2,315	491	2,820
<b>ADJ. EBITDA</b>	<b>\$14,671</b>	<b>\$30,859</b>	<b>\$14,079</b>	<b>\$31,451</b>

1) Please refer to the Adjusted EBITDA endnotes in the back of this Presentation.

2) Includes restructuring expenses of \$0.3 million, \$0.3 million and less than \$0.1 million during the quarter ended June 30, 2016, the year ended December 31, 2015 and the quarter ended June 30, 2015, respectively. Restructuring expenses were recorded to operating expenses.

# GAAP Reconciliation - 2017E Adjusted EBITDA<sup>(1)</sup>

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

1) Please refer to the Adjusted EBITDA endnotes in the back of this Presentation.

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

3) There can be no assurance that we will achieve 2017E Adj. EBITDA and actual results and endnotes may differ materially.



## GAAP Reconciliation - 2Q 2017 YTD & 2Q 2017 TTM (Loss) Income

(\$ in 000s)	A	B	C	A + B - C
	Six Months Ended	Full Year Ended	Six Months Ended	Trailing Twelve Months Ended
	6/30/2017	2016	6/30/2016	6/30/2017
Loss applicable to common stockholders for Traditional Golf	(\$12,247)	(\$29,742)	(\$11,708)	(\$30,281)
Loss applicable to common stockholders for Entertainment Golf	(2,512)	(1,568)	(230)	(3,850)
Income applicable to common stockholders for Debt Investments	6,583	129,209	99,094	36,698
Loss applicable to common stockholders for Corporate	(12,274)	(26,400)	(13,481)	(25,193)
<b>(Loss) income applicable to common stockholders</b>	<b>(\$20,450)</b>	<b>\$71,499</b>	<b>\$73,675</b>	<b>(\$22,626)</b>

## GAAP Reconciliation - 2Q 2016 YTD & 2Q 2016 TTM (Loss) Income

(\$ in 000s)	A	B	C	A + B - C
	Six Months Ended	Full Year Ended	Six Months Ended	Trailing Twelve Months Ended
	6/30/2016	2015	6/30/2015	6/30/2016
Loss applicable to common stockholders for Traditional Golf	(\$11,708)	(\$14,510)	(\$14,440)	(\$11,778)
Loss applicable to common stockholders for Entertainment Golf	(230)	-	-	(230)
Income applicable to common stockholders for Debt Investments	99,094	57,400	42,572	113,922
Loss applicable to common stockholders for Corporate	(13,481)	(27,269)	(13,844)	(26,906)
Discontinued operations	-	646	639	7
<b>Income (Loss) applicable to common stockholders</b>	<b>\$73,675</b>	<b>\$16,267</b>	<b>\$14,927</b>	<b>\$75,015</b>

# Endnote on Reconciliation of Non-GAAP Measures

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## Core Earnings

- The following primary variables impact our operating performance: (i) the current yield earned on our investments that are not included in non-recourse financing structures (i.e., unlevered investments, including investments in equity method investees and investments subject to recourse debt), (ii) the net yield we earn from our non-recourse financing structures, (iii) the interest expense and dividends incurred under our recourse debt and preferred stock, (iv) the net operating income on our real estate and golf investments, (v) our operating expenses and (vi) our realized and unrealized gains or losses, net of related provision for income taxes, including any impairment, on our investments, derivatives and debt obligations. Core earnings is a non-GAAP measure of our operating performance excluding the sixth variable listed above. Core earnings also excludes depreciation and amortization charges, including the accretion of membership deposit liabilities and the impact of the application of acquisition accounting, acquisition, and spin-off and restructuring related expenses. Core earnings is used by management to evaluate our performance without taking into account gains and losses, net of related provision for income taxes, which, although they represent a part of our recurring operations, are subject to significant variability and are only a potential indicator of future performance. These adjustments to our (loss) income applicable to common stockholders are not indicative of the performance of the assets that form the core of our activity.
- Management utilizes core earnings as a measure in its decision-making process relating to the underlying fundamental operations of our investments, as well as the allocation of resources between those investments, and management also relies on core earnings as an indicator of the results of such decisions. As such, core earnings is not intended to reflect all of our activity and should be considered as only one of the factors in assessing our performance, along with GAAP net (loss) income which is inclusive of all of our activities. Management also believes that the exclusion from core earnings of the items specified above allows investors and analysts to readily identify and track the operating performance of the assets that form the core of our activity, assists in comparing the core operating results between periods, and enables investors to evaluate our current core performance using the same measure that management uses to operate the business.
- Core earnings does not represent an alternative to net (loss) income as an indicator of our operating performance or as an alternative to cash flows from operating activities as a measure of our liquidity, and is not indicative of cash available to fund cash needs. Our calculation of core earnings may be different from the calculation used by other companies and, therefore, comparability may be limited.

# Endnote on GAAP Reconciliation – Adj. EBITDA

## EBITDA

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

## Adj. EBITDA

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