

FREQUENTLY ASKED QUESTIONS RELATING TO GOING DARK

On December 13, 2022, Drive Shack Inc. (“Drive Shack”, the “Company”, “we”, “us” or “our”) announced that its Board of Directors (the “Board”) approved a plan to delist its shares of common stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock (collectively, our “securities”) from the New York Stock Exchange (the “NYSE”) and terminate the registration of the Company’s securities under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Below are answers to frequently asked questions relating to delisting of our securities from NYSE and terminating the registration of our securities under the Exchange Act (“going dark”).

RATIONALE

1. Why are delisting and deregistration sometimes referred to as “going dark”?

“Going dark” refers to the voluntarily delisting from the NYSE and deregistration of our shares under the Exchange Act. After going dark, we will no longer be subject to any reporting requirements under the Exchange Act or those required by the listing standards of a national securities exchange, the provisions of the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”) or the rules of the U.S. Securities and Exchange Commission (the “SEC”) applicable to SEC reporting companies. We will, therefore, cease to file annual, quarterly, current, and other reports and documents with the SEC. Although the Company has no current plans to do so, going dark does not preclude us from deciding at a later date to apply for listing the NYSE or another national securities exchange if we met all the applicable listing requirements at such time, or registering our securities with the SEC.

2. What is the rationale for going dark?

The Company received a notice our securities were not in compliance with the continued listing standards of the NYSE, and in response the Board has evaluated the Company’s options to remain listed or to go dark and has determined that going dark is the best path for the Company due to cost savings and the Company’s current inability to realize the traditional benefits of public company status. The low trading value, and the resulting low-volume of trading, limits our securities’ liquidity, affects our ability to raise capital from the public markets, effectively use our securities as transaction consideration, attract interest from institutional investors or market analysts and otherwise enjoy the traditional benefits of being a publicly traded company. Despite the lack of these benefits, we incur all of the significant annual expenses and indirect costs associated with being a public company.

The reduction in time spent by our management and employees complying with the requirements applicable to SEC reporting companies will enable them to focus more on managing the Company’s businesses, strengthening relationships with clients and vendors and growing stockholder value, with a focus on long-term growth without an undue distraction by short-term financial results and stock price movement.

3. What cost savings does the Company anticipate as a result of going dark?

We incur both direct and indirect costs to comply with the filing and reporting requirements imposed on us as a result of being an SEC reporting company. We anticipate cost savings after going dark primarily as a result of a reduction in professional fees of lawyers and accountants, and printing, mailing, and other costs that we incur to comply with SEC reporting and compliance requirements.

Additionally, we will benefit from the reduction in time spent by our management and employees complying with the requirements applicable to SEC reporting companies, which will enable them to focus more on managing the Company’s businesses and growing stockholder value, with a focus on long-term growth without an undue distraction from short-term financial results and stock price movement.

4. What was the process by which the Board approved going dark?

The Board, with the assistance of management and outside legal counsel, evaluated the option to go dark, including various matters relating to the continued listing of the securities on the NYSE compared with the expected burdens and costs thereof, and determined that it was in the best interest of the Company to go dark.

5. After going dark, what information does the Company intend to provide to the holders of its securities?

Following going dark, we intend to continue to prepare audited annual and unaudited quarterly financial statements, as and to the extent required pursuant to the terms of the Articles Supplementary relating to our Series C Preferred Stock and Series D Preferred Stock and the indenture governing our junior subordinated notes. The terms of the Articles Supplementary relating to our Series C Preferred Stock and Series D Preferred Stock require that, during any period in which the Company is not subject to the reporting requirements of the Exchange Act and any shares of Series C Preferred Stock or Series D Preferred Stock are outstanding, the Company will mail to all holders of Series C Preferred Stock or Series D Preferred Stock copies of the annual reports and quarterly reports that the Company would have been required to file pursuant to the reporting requirements of the Exchange Act if it was subject to such requirements (other than any exhibits that would have been required), and to promptly upon written request, supply copies of such reports to any prospective holder of Series C Preferred Stock or Series D Preferred Stock.

While we currently intend to make financial information available to our stockholders on a voluntary basis after going dark, we will not be required to do so by law and there is no assurance that even if we do make such information available immediately after going dark that we would continue to do so in the future. In the event that the securities are traded in an over-the-counter market following going dark, the Company may elect to comply with periodic disclosure requirements of such over-the-counter market. The Company is evaluating the best methods to continue to provide such information to stockholders and intends to file an application for its common stock to be quoted on the OTCQX platform, with the expectation of listing in the first quarter of 2023.

6. How will going dark affect the Company's ability to pursue strategic growth opportunities?

Following going dark, being a non-reporting company will not preclude opportunities for the Company to achieve significant growth. Furthermore, the reduction in time spent by our management and employees complying with the requirements applicable to SEC reporting companies will enable them to focus more on managing the Company's businesses and growing stockholder value, with a focus on long-term growth without an undue distraction by short-term financial results and stock price movement.

7. Is the Company pursuing alternatives for which a greater level of confidentiality is warranted? Does this signal other considerations underway?

As noted above, the driver for going dark is that we are not obtaining any of the traditional benefits from remaining a public company, but continue to incur all of the significant annual expenses and indirect costs associated with being a public company. Our Board will continue to consider alternatives that are in the best interest of the Company and its stockholders, although no decisions about any further alternatives have been made at this time and there can be no assurances about when, or if, any additional actions will be taken.

PROCESS

8. When will the Company's securities stop trading on the NYSE?

We expect for our securities to be delisted from the NYSE on January 3, 2023.

9. Will the Company's securities continue to trade after going dark?

After going dark, the Company's securities will no longer be listed on the NYSE or any other national securities exchange. Any trading in our securities after going dark would occur on an over-the-counter market, if one or more brokers chooses to make a market for our securities on any such market and complies with applicable regulatory requirements or in privately negotiated sales. The Company intends to file an application for its common stock to be quoted on the OTCQX platform, and intends to receive approval in the first quarter of 2023. However, there can be no assurances regarding any such trading or the approval of our application. As a result, there may be no readily available price quoted to reflect the market value of our securities.

10. When will the Company cease filing the periodic and current reports required by the Exchange Act?

We intend to file a Form 25 to delist our securities from the New York Stock Exchange on December 23, 2022. On or about January 3, 2022, the registration of our securities under Section 12(b) of the Exchange Act will terminate and delisting will be effective.

We intend to file a Form 15 on January 13, 2023, which will suspend the Company's obligation to file periodic and current reports with the SEC (although the Company will be required to file the Form 10-K for the year ended December 31, 2022) and, after a 90-day waiting period, will terminate the requirement (a) for the Company to comply with the proxy rules and to file proxy statements; (b) for our insiders and 10% stockholders to file beneficial ownership reports; and (c) for our 5% stockholders to report their beneficial ownership. We intend to cease filing periodic and current reports with the SEC as soon as we are permitted to do so under applicable laws, rules and regulations.

11. Would disclosure requirements change for investors (e.g. filings pursuant to Section 13(d) and Section 16 of the Exchange Act)?

After going dark and following the 90-day waiting period following filing of the Form 15 as discussed above, the reporting obligations with respect to the Company's equity holders, including management, pursuant to Sections 13 and 16 of the Exchange Act will be eliminated.

12. Under what scenarios would you imagine the Company "relisting" in the future? How would the Company do so?

There are many factors the Company considers in making strategic decisions such as whether to be traded on a national securities exchange. We cannot predict at this time whether such a decision will be made in the future, or what factors may come into play to lead to such a decision. If the Company were to relist its shares on a national securities exchange, it would have to comply with the applicable initial listing requirements for such national securities exchange and the applicable SEC rules and regulations.