UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______________ to _______________

Commission File Number: 001-31458

Drive Shack Inc.

(Exact name of registrant as specified in its charter)

Maryland	81-0559116
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10670 N. Central Expressway, Suite 700, Dallas, TX	75231
(Address of principal executive offices)	(Zip Code)

(646) 585-5591

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	DS	New York Stock Exchange (NYSE)
9.75% Series B Cumulative Redeemable Preferred Stock, $0.01 par value per share	DS-PB	New York Stock Exchange (NYSE)
8.05% Series C Cumulative Redeemable Preferred Stock, $0.01 par value per share	DS-PC	New York Stock Exchange (NYSE)
8.375% Series D Cumulative Redeemable Preferred Stock, $0.01 par value per share	DS-PD	New York Stock Exchange (NYSE)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Common stock, $0.01 par value per share: 92,085,419 shares outstanding as of July 31, 2021.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, (i) the degree to which the pandemic ("COVID-19" or "coronavirus") may cause governmental restrictions on our operations, effect demand for leisure and entertainment services, impact our business relative to other businesses that compete with us and increase the costs of, and time to, open new venues, (ii) the adequacy of our cash flows from operations and available cash to meet our liquidity needs, including in the event of a prolonged re-closure of our venues, (iii) our ability to obtain additional financing and (iv) changes in our labor markets during the recovery period from the pandemic. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "forecast," "predict," "continue" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual outcome of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- our ability to avoid future closures of our venues;
- factors impacting attendance, such as local conditions, contagious diseases, including COVID-19, and the availability of an effective vaccine, or the perceived threat of contagious diseases, disturbances, natural disasters, and terrorist activities;
- regulations and guidance of federal, state and local governments and health officials regarding the response to the ongoing pandemic, including with respect to business operations, safety protocols and public gatherings;
- our financial liquidity and ability to access capital;
- the ability to retain and attract members and guests to our properties;
- changes in global, national and local economic conditions, including, but not limited to, increases in unemployment levels, changes in consumer spending patterns, a prolonged economic slowdown and a downturn in the real estate market;
- effects of unusual weather patterns and extreme weather events, geographical concentrations with respect to our operations and seasonality of our business;
- competition within the industries in which we operate or may pursue additional investments, including competition for sites for our Entertainment Golf venues;
- material increases in our expenses, including, but not limited to, unanticipated labor issues, rent or costs with respect to our workforce, and costs of goods, utilities and supplies;
- our inability to sell or exit certain properties, and unforeseen changes to our ability to develop, redevelop or renovate certain properties;
- our ability to further invest in our business and implement our strategies;
- difficulty monetizing our real estate debt investments;
- liabilities with respect to inadequate insurance coverage, accidents or injuries on our properties, adverse litigation judgments or settlements, or membership deposits;
- changes to and failure to comply with relevant regulations and legislation, including in order to maintain certain licenses and permits, and environmental regulations in connection with our operations;
- inability to execute on our growth and development strategy by successfully developing, opening and operating new venues;
- impacts of any failures of our information technology and cybersecurity systems;
- the impact of any current or further legal proceedings and regulatory investigations and inquiries; and
- other risks detailed from time to time, particularly under the heading "Risk Factors" in this report, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, and in our subsequent filings with the Securities and Exchange Commission (the "SEC").

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

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

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Drive Shack Inc. (the "Company" or the "Registrant") or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Quarterly Report on Form 10-Q and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov.

The Company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

DRIVE SHACK INC.
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	(unaudited) June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 81,428	$ 47,786
Restricted cash	2,990	2,252
Accounts receivable, net	4,577	4,446
Real estate securities, available-for-sale	3,341	3,223
Other current assets	22,879	14,410
Total current assets	115,215	72,117
Restricted cash, noncurrent	1,027	795
Property and equipment, net of accumulated depreciation	171,126	169,425
Operating lease right-of-use assets	187,870	192,828
Intangibles, net of accumulated amortization	14,181	15,124
Other assets	6,420	6,765
Total assets	$ 495,839	$ 457,054
Liabilities and Equity		
Current liabilities		
Obligations under finance leases	$ 5,794	$ 6,470
Membership deposit liabilities	14,748	14,692
Accounts payable and accrued expenses	32,752	29,596
Deferred revenue	16,529	23,010
Other current liabilities	24,775	28,217
Total current liabilities	94,598	101,985
Credit facilities and obligations under finance leases - noncurrent	10,402	12,751
Operating lease liabilities - noncurrent	172,372	167,837
Junior subordinated notes payable	51,179	51,182
Membership deposit liabilities, noncurrent	103,859	99,862
Deferred revenue, noncurrent	10,224	9,953
Other liabilities	3,695	3,447
Total liabilities	$ 446,329	$ 447,017
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 June 30, 2021 and December 31, 2020	$ 61,583	$ 61,583
Common stock, $0.01 par value, 1,000,000,000 shares authorized, 92,085,419 and 67,323,592 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	921	673
Additional paid-in capital	3,233,269	3,178,704
Accumulated deficit	(3,247,589)	(3,232,391)
Accumulated other comprehensive income	1,326	1,468
Total equity	$ 49,510	$ 10,037
Total liabilities and equity	$ 495,839	$ 457,054

See notes to Consolidated Financial Statements.

DRIVE SHACK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenues				
Golf operations	$ 61,750	$ 29,675	$ 114,912	$ 78,300
Sales of food and beverages	12,129	2,425	20,059	14,935
Total revenues	73,879	32,100	134,971	93,235
Operating costs				
Operating expenses	55,635	33,224	104,504	87,591
Cost of sales - food and beverages	3,151	829	5,255	4,484
General and administrative expense	8,028	6,368	16,012	16,186
Depreciation and amortization	5,784	6,682	12,029	13,476
Pre-opening costs	789	270	1,345	822
(Gain) Loss on lease terminations and impairment	(561)	(3,125)	2,648	(2,333)
Total operating costs	72,826	44,248	141,793	120,226
Operating income (loss)	1,053	(12,148)	(6,822)	(26,991)
Other income (expenses)				
Interest and investment income	159	135	312	265
Interest expense, net	(2,713)	(2,591)	(5,339)	(5,336)
Other income (loss), net	(18)	(24,422)	(79)	(24,055)
Total other income (expenses)	(2,572)	(26,878)	(5,106)	(29,126)
Loss before income tax	(1,519)	(39,026)	(11,928)	(56,117)
Income tax expense	450	500	945	771
Net loss	(1,969)	(39,526)	(12,873)	(56,888)
Preferred dividends	(1,395)	(1,395)	(2,790)	(2,790)
Loss applicable to common stockholders	$ (3,364)	$ (40,921)	$ (15,663)	$ (59,678)
Loss applicable to common stock, per share				
Basic	$ (0.04)	$ (0.61)	$ (0.18)	$ (0.89)
Diluted	$ (0.04)	$ (0.61)	$ (0.18)	$ (0.89)
Weighted average number of shares of common stock outstanding				
Basic	92,065,615	67,111,843	87,338,509	67,090,805
Diluted	92,065,615	67,111,843	87,338,509	67,090,805

See notes to Consolidated Financial Statements.

DRIVE SHACK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)
(dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (1,969)	$ (39,526)	$ (12,873)	$ (56,888)
Other comprehensive loss:				
Net unrealized gain (loss) on available-for-sale securities	(66)	(217)	(142)	(255)
Other comprehensive gain (loss)	(66)	(217)	(142)	(255)
Total comprehensive loss	$ (2,035)	$ (39,743)	$ (13,015)	$ (57,143)
Comprehensive loss attributable to Drive Shack Inc. stockholders' equity	$ (2,035)	$ (39,743)	$ (13,015)	$ (57,143)

See notes to Consolidated Financial Statements.

DRIVE SHACK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(dollars in thousands, except share data)

	Drive Shack Inc. Stockholders							
	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comp. Income	Total Equity (Deficit)
Equity (deficit) - December 31, 2020	2,463,321	$ 61,583	67,323,592	$ 673	$ 3,178,704	$ (3,232,391)	$ 1,468	$ 10,037
Dividends declared	—	—	—	—	—	(930)	—	(930)
Stock-based compensation	—	—	—	—	350	—	—	350
Shares issued from options and restricted stock units	—	—	745,881	7	(7)	—	—	—
Shares issued from equity raise	—	—	23,958,333	239	53,666	—	—	53,905
Comprehensive income (loss)								
Net loss	—	—	—	—	—	(10,904)	—	(10,904)
Other comprehensive loss	—	—	—	—	—	—	(76)	(76)
Total comprehensive loss								(10,980)
Equity (deficit) - March 31, 2021	2,463,321	$ 61,583	92,027,806	$ 919	$ 3,232,713	$ (3,244,225)	$ 1,392	$ 52,382
Dividends declared	—	$ —	—	$ —	$ —	$ (1,395)	$ —	$ (1,395)
Stock-based compensation	—	$ —	—	$ 2	$ 556	$ —	$ —	$ 558
Shares issued from options and restricted stock units	—	$ —	57,613	$ —	$ —	$ —	$ —	$ —
Comprehensive income (loss)								
Net loss	—	$ —	—	$ —	$ —	$ (1,969)	$ —	$ (1,969)
Other comprehensive income	—	$ —	—	$ —	$ —	$ —	$ (66)	$ (66)
Total comprehensive loss								$ (2,035)
Equity (deficit) - June 30, 2021	2,463,321	$ 61,583	92,085,419	$ 921	$ 3,233,269	$ (3,247,589)	$ 1,326	$ 49,510
Equity (deficit) - December 31, 2019	2,463,321	$ 61,583	67,068,751	$ 671	$ 3,177,183	$ (3,175,572)	$ 1,710	$ 65,575
Dividends declared	—	—	—	—	—	(465)	—	(465)
Stock-based compensation	—	—	—	—	201	—	—	201
Shares issued from restricted stock units	—	—	1,762	—	—	—		—
Comprehensive income (loss)								
Net loss	—	—	—	—	—	(17,362)	—	(17,362)
Other comprehensive income	—	—	—	—	—	—	(38)	(38)
Total comprehensive loss								(17,400)
Equity (deficit) - March 31, 2020	2,463,321	$ 61,583	$ 67,070,513	$ 671	$ 3,177,384	$ (3,193,399)	$ 1,672	$ 47,911
Stock-based compensation	—	—	—	—	500	—	—	500
Shares issued from restricted stock units	—	—	141,849	1	(1)	—	—	—
Comprehensive income (loss)								
Net loss	—	—	—	—	—	(39,526)	—	(39,526)
Other comprehensive income	—	—	—	—	—	—	(217)	(217)
Total comprehensive loss								(39,743)
Equity (deficit) - June 30, 2020	2,463,321	$ 61,583	67,212,362	$ 672	$ 3,177,883	$ (3,232,925)	$ 1,455	$ 8,668

See notes to Consolidated Financial Statements.

DRIVE SHACK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(dollars in thousands, except share data)

	Six Months Ended June 30,	
	2021	**2020**
Cash Flows From Operating Activities		
Net loss	(12,873)	(56,888)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,029	13,476
Amortization of discount and premium	(262)	(193)
Other amortization	4,126	3,823
Amortization of revenue on golf membership deposit liabilities	(1,101)	(746)
Amortization of prepaid golf membership dues	(9,726)	(3,451)
Non-cash operating lease expense	2,161	6,333
Stock-based compensation	906	700
(Gain) Loss on lease terminations and impairment	2,648	(2,783)
Equity in earnings, net of impairment from equity method investments	—	24,020
Other losses, net	143	164
Change in:		
Accounts receivable, net, other current assets and other assets - noncurrent	(6,522)	4,235
Accounts payable and accrued expenses, deferred revenue, other current liabilities and other liabilities - noncurrent	8,939	5,625
Net cash used in operating activities	468	(5,685)
Cash Flows From Investing Activities		
Proceeds from sale of property and equipment	—	73
Acquisition and additions of property and equipment and intangibles	(16,139)	(7,702)
Net cash used in investing activities	(16,139)	(7,629)
Cash Flows From Financing Activities		
Repayments of debt obligations	(3,082)	(2,068)
Golf membership deposits received	1,325	878
Proceeds from issuance of common stock	53,905	—
Preferred stock dividends paid	(1,395)	(1,395)
Other financing activities	(470)	(186)
Net cash provided by (used in) financing activities	50,283	(2,771)
Net Increase (Decrease) in Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent	34,612	(16,085)
Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent, Beginning of Period	50,833	31,964
Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent, End of Period	$ 85,445	$ 15,879
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Preferred stock dividends declared but not paid	$ 930	$ —
Additions to finance lease assets and liabilities	$ 495	$ 1,028
(Decreases)/increases in accounts payable and accrued expenses related to the purchase of property and equipment	$ (2,688)	$ 4,192
Additions for Right of Use Assets and Liabilities	$ 7,002	$ 659
Cash paid during the period for interest expense	$ 1,552	$ 1,711
Cash paid during the period for income taxes	$ 1,489	$ —

See notes to Consolidated Financial Statements.

1. ORGANIZATION

Drive Shack Inc., a Maryland corporation, was formed in 2002, and its common stock is traded on the NYSE under the symbol “DS.” Drive Shack Inc., together with its subsidiaries, is referenced herein as "Drive Shack Inc.", "the Company", "we", or "our". The Company owns and operates golf-related leisure and entertainment venues and courses focused on bringing people together through competitive socializing, by combining sports and entertainment with elevated food and beverage ("F&B") offerings. The Company conducts its business through the following segments: (i) Entertainment Golf, (ii) Traditional Golf and (iii) corporate. For a further discussion of the reportable segments, see Note 4.

As of June 30, 2021, the Company's Entertainment Golf segment was comprised offour owned or leased entertainment golf venues acrossthree states with locations in Orlando, Florida; West Palm Beach, Florida; Raleigh, North Carolina; and Richmond, Virginia. This segment also includes the Company's newest entertainment golf brand currently under development, Puttery. The first Puttery venue, which is located north of Dallas in The Colony, Texas, is expected to open in late August 2021 and its second venue located in Charlotte, North Carolina is expected to open in Q4 2021. The Company has announced three additional Puttery venues located in Washington DC, Miami, Florida and Houston, Texas; all of which are currently in development. Two additional locations are currently in or nearing lease execution.

The Company’s Traditional Golf segment is one of the largest operators of traditional golf properties in the United States. As of June 30, 2021, the Company owned, leased or managed 56 traditional golf properties acrossnine states.

In March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (“COVID-19”). In response to the rapid spread of COVID-19, authorities around the world implemented numerous measures to contain the virus, such as travel bans and restrictions, quarantines, "stay-at-home" or "shelter-in-place" orders and business shutdowns. Many jurisdictions in which we operate required mandatory store closures or imposed capacity limitations and other restrictions affecting our operations. As a result, during March 2020, we temporarily closed all of our Entertainment Golf venues and substantially all of our Traditional Golf courses and furloughed a substantial majority of our employees. In response to the uncertainty caused by the pandemic, we took several actions after we suspended operations to preserve our liquidity position and prepare for multiple contingencies.

Following the temporary closure of our venues in March 2020 in response to the COVID-19 pandemic, three of our four Drive Shack Entertainment Golf venues and all of our Traditional Golf properties were reopened by the end of the second quarter, subject to locally mandated capacity limitations and operational restrictions. Our Entertainment Golf venue in Orlando, Florida re-opened in December 2020. Restrictions on large group gatherings were in effect in the majority of the jurisdictions in which we operate, which resulted in the postponement or cancellation of events, banquets, and other large group gatherings. By April of this year the CDC lifted restrictions on group events and our business began to return to normal.

These developments had a material adverse impact on Company revenues, results of operations and cash flows in historical periods, and the Company believes that the risk of further negative effects is not insignificant, as of the date of this Quarterly Report on Form 10-Q, subject to the degree to which the pandemic subsides, intensifies or maintains the current status quo.

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 accounting principles generally accepted in the United States 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 GAAP, 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 entire year. These financial statements should be read in conjunction with the Company’s Consolidated Financial Statements for the year ended December 31, 2020 and notes thereto included in the Company’s Annual Report on Form 10-K filed with the SEC on March 16, 2021. Capitalized terms used herein, and not otherwise defined, are defined in the Company’s Consolidated Financial Statements for the year ended December 31, 2020. There have been no significant changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

The Company's significant accounting policies for these financial statements as of June 30, 2021 are summarized below and should be read in conjunction with the Summary of Significant Accounting Policies detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

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.

Real Estate, Held-for-Sale — Long-lived assets to be disposed of by sale, which meet certain criteria, are reclassified to real estate held-for-sale and measured at the lower of their carrying amount or fair value less costs to sell. The Company suspends depreciation and amortization for assets held-for-sale. Subsequent changes to the estimated fair value less costs to sell could impact the measurement of assets held-for-sale. Decreases below carrying value are recognized as an impairment loss and recorded in "(Gain) Loss on lease terminations and impairment" on the Consolidated Statements of Operations. To the extent the fair value increases, any previously reported impairment is reversed to the extent of the impairment taken.

On March 7, 2018, the Company announced it was actively pursuing the sale of26 owned Traditional Golf properties in order to generate capital for reinvestment in the Entertainment Golf business. On October 16, 2020, the Company completed the sale of that remaining held-for-sale Traditional Golf property for a sale price of $34.5 million and received net cash proceeds of approximately $33.6 million. As of June 30, 2021, the Company does not have any properties classified as held-for-sale.

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 balance sheet with the Right of Use ("ROU") assets and lease liabilities recognized in "Operating lease right-of-use assets," "Other current liabilities" and "Operating lease liabilities - noncurrent" in the Consolidated Balance Sheets. Finance lease ROU assets, current lease liabilities and noncurrent lease liabilities are recognized in "Property and equipment, net of accumulated depreciation," and "Obligations under finance leases" and "Credit facilities and obligations under finance leases - noncurrent" in the Consolidated Balance Sheets, respectively.

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

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

The Company has elected to combine lease and non-lease components for all lease contracts.

Other Investments — The Company owns an approximately 22% economic interest in a limited liability company which owns preferred equity in a commercial real estate project. The Company accounts for this investment as an equity method investment. The Company evaluates its equity method investment for other-than-temporary impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. The evaluation of recoverability is based on management's assessment of the financial condition and near-term prospects of the commercial real estate project, the length of time and the extent to which the market value of the investment has been less than cost, availability and cost of financing, demand for space, competition for tenants, changes in market rental rates, and operating results. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the values estimated by management in its recoverability analyses may not be realized, and actual losses or impairment may be realized in the future. As the fair value inputs utilized are unobservable, the Company determined that the significant inputs used to value this real estate investment fall within Level 3 for fair value reporting.

(dollars in tables in thousands, except share data)

The operations and ongoing construction at the commercial real estate project halted due to the COVID-19 pandemic in mid-March 2020 and the Company recorded an other-than-temporary impairment charge of $24.7 million during the three months ended June 30, 2020. The other-than-temporary impairment charge was recorded in "Other income (loss), net" on the Consolidated Statements of Operations. The property reopened to the public with additional entertainment venues and retail shops in October 2020 while following COVID-19 related operational restrictions and capacity limitations, and implementing social distancing measures. However, the ability of the commercial real estate project to obtain additional funding to complete the construction and attain the financial results needed to recover any of our investment remains highly uncertain. The carrying value of the investment was zero as of both June 30, 2021, and December 31, 2020.

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.

Cash and Cash Equivalents and Restricted Cash —The Company considers all highly liquid short-term investments with maturities of 90 days or less when purchased to be cash equivalents. Substantially all amounts on deposit with major financial institutions exceed insured limits. The Company has not experienced any losses in the accounts and believe that the Company is
not exposed to significant credit risk because the accounts are at major financial institutions. Restricted cash is required primarily for construction in progress, letters of credit, and credit card processing.

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

	June 30, 2021	December 31, 2020	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 81,428	47,786	12,638	28,423
Restricted cash	2,990	2,252	2,974	3,103
Restricted cash, noncurrent	1,027	795	267	438
Total Cash and cash equivalents, Restricted cash and Restricted cash, noncurrent	$ 85,445	$ 50,833	$ 15,879	$ 31,964

Accounts Receivable, Net — Accounts receivable are stated at amounts due from customers, net of an allowance for doubtful accounts of $0.8 million and $0.9 million as of June 30, 2021 and December 31, 2020, respectively. The allowance for doubtful accounts 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.

(dollars in tables in thousands, except share data)

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

	June 30, 2021	December 31, 2020
Managed property receivables	$ 8,420	$ 3,236
Prepaid expenses	3,442	3,158
Deposits	1,223	767
Inventory	1,953	1,950
Construction in progress receivables	2,158	1,839
Miscellaneous current assets, net	5,683	3,460
Other current assets	$ 22,879	$ 14,410

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

	June 30, 2021	December 31, 2020
Prepaid expenses	$ 1,023	$ 2,154
Deposits	3,444	2,504
Miscellaneous assets, net	1,953	2,107
Other assets	$ 6,420	$ 6,765

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

	June 30, 2021	December 31, 2020
Operating lease liabilities	$ 17,624	$ 19,894
Accrued rent	2,967	4,318
Dividends payable	930	—
Miscellaneous current liabilities	3,254	4,005
Other current liabilities	$ 24,775	$ 28,217

Membership Deposit Liabilities **-**Private country club members in our Traditional Golf business generally pay an advance initiation fee deposit upon their acceptance as members to their respective country clubs. Initiation fee deposits are refundable 30 years after the date of acceptance as a member. The difference between the initiation fee 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. See Note 3. Revenues. 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 tables in thousands, except share data)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Collateral management fee income, net	$ 48	$ 66	$ 104	$ 138
Equity in earnings, net of impairment from equity method investments	—	(24,365)	—	(24,020)
Gain (loss) on sale of long-lived assets and intangibles	(49)	—	(64)	—
Gain (loss) on sale of traditional golf properties	—	(102)	—	(54)
Other (loss) income	(17)	(21)	(119)	(119)
Other income (loss), net	$ (18)	$ (24,422)	$ (79)	$ (24,055)

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The standard removes certain exceptions for investments, intraperiod allocations and interim tax calculations and adds guidance to reduce complexity in accounting for income taxes. The effective date of the standard is for annual periods beginning after December 15, 2020, with early adoption permitted. The various amendments in the standard are applied on a retrospective basis, modified retrospective basis and prospective basis, depending on the amendment. The Company adopted ASU 2019-12 as of the fiscal year beginning January 1, 2021. The adoption of ASU 2019-12 had no material impact on the Company's financial statements.

(dollars in tables in thousands, except share data)

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.

Private country club members in our Traditional Golf business generally pay an advance initiation fee deposit upon their acceptance as members to their respective country clubs. Initiation fee deposits are refundable 30 years after the date of acceptance as a member. The difference between the initiation fee 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. See Note 2. Summary of Significant Accounting Policies - Membership Deposit Liabilities.

Virtually all of the Company’s revenues are generated within the Entertainment Golf and Traditional Golf segments. The following tables disaggregate revenue by category: entertainment golf venues, public and private golf properties (owned and leased) and managed golf properties.

	Three Months Ended June 30, 2021					Six Months Ended June 30, 2021				
	Ent. golf venues	Public golf properties	Private golf properties	Managed golf properties (A)	Total	Ent. golf venues	Public golf properties	Private golf properties	Managed golf properties (A)	Total
Golf operations	$ 5,316	$ 28,693	$ 12,323	$ 15,418	$ 61,750	$ 8,737	$ 47,866	$ 27,042	$ 31,267	$ 114,912
Sales of food and beverages	6,273	3,994	1,862	—	12,129	11,075	5,849	3,135	—	20,059
Total revenues	$ 11,589	$ 32,687	$ 14,185	$ 15,418	$ 73,879	$ 19,812	$ 53,715	$ 30,177	$ 31,267	$ 134,971

	Three Months Ended June 30, 2020					Six Months Ended June 30, 2020				
	Ent. golf venues	Public golf properties	Private golf properties	Managed golf properties (A)	Total	Ent. golf venues	Public golf properties	Private golf properties	Managed golf properties (A)	Total
Golf operations	$ 762	$ 13,035	$ 6,507	$ 9,371	$ 29,675	$ 4,672	$ 29,058	$ 20,161	$ 24,409	$ 78,300
Sales of food and beverages	1,028	910	487	—	2,425	7,235	5,195	2,505	—	14,935
Total revenues	$ 1,790	$ 13,945	$ 6,994	$ 9,371	$ 32,100	$ 11,907	$ 34,253	$ 22,666	$ 24,409	$ 93,235

(A) Includes $12.9 million and $26.7 million for the three and six months ended June 30, 2021, as well as $8.5 million and $21.8 million for the three and six months ended June 30, 2020, respectively, related to management contract reimbursements reported under ASC 606 - Revenue Recognition.

4. SEGMENT REPORTING

The Company currently has three reportable segments: (i) Entertainment Golf, (ii) Traditional Golf and (iii) corporate. The Company has determined that its chief operating decision maker (“CODM”) is the chief executive officer and president, who reviews discrete financial information, including resource allocation and performance assessment, for each reportable segment to manage the Company.

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. It is also comprised of Puttery, the Company’s newest competitive socializing and entertainment platform. Puttery is a smaller venue format featuring technology-enabled indoor putting golf courses, F&B offerings, multiple bars, lounges, and VIP spaces. As of June 30, 2021, the Company operated four Drive Shack venues across three states which are located in Orlando, Florida; West Palm Beach, Florida; Raleigh, North Carolina; and Richmond, Virginia. The Company expects its first two venues to debut in Dallas and Charlotte in 2021.

The Company's Traditional Golf business is one of the largest operators of golf courses and country clubs in the United States. As of June 30, 2021, the Company owned, leased or managed 56 Traditional Golf properties across nine states. . Following the close of business on March 31, 2021, management agreements expired for the Lomas Santa Fe Country Club, Tustin Ranch Golf Club, and Yorba Linda Country Club, reducing the total number of courses managed in our traditional golf business to 22. On May 5, 2021, the SeaCliff Country Club lease expired, reducing the total number of leased or owned courses to 34. The total annual revenue generated by the four properties during the fiscal year ended December 31, 2020 and the quarter ended March 31, 2021 was $22.4 million and $6.6 million, respectively. The total revenue generated by SeaCliff for the quarter ended June 30, 2021 was not material.

The corporate segment consists primarily of investments in loans and securities, interest income on short-term investments, general and administrative expenses as a public company, interest expense on the junior subordinated notes payable (Note 8) and income tax expense (Note 14).

(dollars in tables in thousands, except 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:

Six Months Ended June 30, 2021	Entertainment Golf	Traditional Golf	Corporate	Total
Revenues				
Golf operations	$ 8,737	$ 106,175	$ —	$ 114,912
Sales of food and beverages	11,075	8,984	—	20,059
Total revenues	19,812	115,159	—	134,971
Operating costs				
Operating expenses	10,679	93,823	2	104,504
Cost of sales - food and beverages	2,530	2,725	—	5,255
General and administrative expense (A)	4,472	5,073	6,095	15,640
General and administrative expense - acquisition and transaction expenses (B)	368	—	4	372
Depreciation and amortization	5,904	6,003	122	12,029
Pre-opening costs (C)	1,344	—	1	1,345
(Gain) Loss on lease terminations and impairment	22	(561)	3,187	2,648
Total operating costs	25,319	107,063	9,411	141,793
Operating income (loss)	(5,507)	8,096	(9,411)	(6,822)
Other income (expenses)				
Interest and investment income	—	36	276	312
Interest expense (D)	(159)	(4,620)	(641)	(5,420)
Capitalized interest (D)	—	28	53	81
Other income (loss), net	—	(176)	97	(79)
Total other income (expenses)	(159)	(4,732)	(215)	(5,106)
Income tax expense	—	—	945	945
Net income (loss)	(5,666)	3,364	(10,571)	(12,873)
Preferred dividends	—	—	(2,790)	(2,790)
Net income (loss) applicable to common stockholders	$ (5,666)	$ 3,364	$ (13,361)	$ (15,663)

June 30, 2021	Entertainment Golf	Traditional Golf	Corporate	Total
Total assets	$ 171,386	$ 262,049	$ 62,404	$ 495,839
Total liabilities	47,133	336,894	62,302	446,329
Preferred stock	—	—	61,583	61,583
Equity	$ 124,253	$ (74,845)	$ (61,481)	$ (12,073)
Additions to property and equipment (including finance leases) during the six months ended June 30, 2021	$ 10,903	$ 2,989	$ 375	$ 14,267

(dollars in tables in thousands, except share data)

Three Months Ended June 30, 2021	Entertainment Golf	Traditional Golf	Corporate	Total
Revenues				
Golf operations	$ 5,316	$ 56,434	$ —	$ 61,750
Sales of food and beverages	6,273	5,856	—	12,129
Total revenues	11,589	62,290	—	73,879
Operating costs				
Operating expenses	5,546	50,087	2	55,635
Cost of sales - food and beverages	1,445	1,706	—	3,151
General and administrative expense (A)	2,274	2,693	2,885	7,852
General and administrative expense - acquisition and transaction expenses (B)	176	—	—	176
Depreciation and amortization	2,952	2,782	50	5,784
Pre-opening costs (C)	788	—	1	789
(Gain) Loss on lease terminations and impairment	—	(561)	—	(561)
Total operating costs	13,181	56,707	2,938	72,826
Operating income (loss)	(1,592)	5,583	(2,938)	1,053
Other income (expenses)				
Interest and investment income	—	16	143	159
Interest expense (D)	(77)	(2,369)	(325)	(2,771)
Capitalized interest (D)	—	20	38	58
Other income (loss), net	—	(62)	44	(18)
Total other income (expenses)	(77)	(2,395)	(100)	(2,572)
Income tax expense	—	—	450	450
Net income (loss)	(1,669)	3,188	(3,488)	(1,969)
Preferred dividends	—	—	(1,395)	(1,395)
Net income (loss) applicable to common stockholders	$ (1,669)	$ 3,188	$ (4,883)	$ (3,364)

(dollars in tables in thousands, except share data)

Six Months Ended June 30, 2020	Entertainment Golf	Traditional Golf	Corporate	Total
Revenues				
Golf operations	$ 4,672	$ 73,628	$ —	$ 78,300
Sales of food and beverages	7,235	7,700	—	14,935
Total revenues	11,907	81,328	—	93,235
Operating costs				
Operating expenses	10,801	76,790	—	87,591
Cost of sales - food and beverages	1,904	2,580	—	4,484
General and administrative expense (A)	4,529	5,282	4,361	14,172
General and administrative expense - acquisition and transaction expenses (B)	865	155	994	2,014
Depreciation and amortization	6,021	7,311	144	13,476
Pre-opening costs (C)	822	—	—	822
(Gain) Loss on lease terminations and impairment	—	(2,333)	—	(2,333)
Total operating costs	24,942	89,785	5,499	120,226
Operating loss	(13,035)	(8,457)	(5,499)	(26,991)
Other income (expenses)				
Interest and investment income	1	38	226	265
Interest expense (D)	(207)	(4,245)	(962)	(5,414)
Capitalized interest (D)	—	22	56	78
Other income (loss), net	—	(166)	(23,889)	(24,055)
Total other income (expenses)	(206)	(4,351)	(24,569)	(29,126)
Income tax expense	—	—	771	771
Net loss	(13,241)	(12,808)	(30,839)	(56,888)
Preferred dividends	—	—	(2,790)	(2,790)
Loss applicable to common stockholders	$ (13,241)	$ (12,808)	$ (33,629)	$ (59,678)

June 30, 2020	Entertainment Golf	Traditional Golf	Corporate	Total
Total assets	$ 158,187	$ 284,874	$ 14,012	$ 457,073
Total liabilities	41,997	343,136	63,272	448,405
Preferred stock	—	—	61,583	61,583
Equity	$ 116,190	$ (58,262)	$ (110,843)	$ (52,915)
Additions to property and equipment (including finance leases) during the six months ended June 30, 2020	$ 4,297	$ 2,982	$ 423	$ 7,702

(dollars in tables in thousands, except share data)

ree Months Ended June 30, 2020	Entertainment Golf	Traditional Golf	Corporate	Total
/enues				
olf operations	$ 762	$ 28,913	$ —	$ 29,675
ıles of food and beverages	1,028	1,397	—	2,425
Total revenues	1,790	30,310	—	32,100
erating costs				
perating expenses	2,629	30,595	—	33,224
ɔst of sales - food and beverages	294	535	—	829
eneral and administrative expense (A)	1,360	2,189	1,983	5,532
eneral and administrative expense - acquisition and transaction expenses (B)	831	33	(28)	836
epreciation and amortization	3,001	3,608	73	6,682
e-opening costs (C)	270	—	—	270
Total operating costs	8,385	33,835	2,028	44,248
erating loss	(6,595)	(3,525)	(2,028)	(12,148)
ıer income (expenses)				
terest and investment income	—	23	112	135
terest expense (D)	(102)	(2,098)	(436)	(2,636)
apitalized interest (D)	—	13	32	45
ther income (loss), net	—	(120)	(24,302)	(24,422)
Total other income (expenses)	(102)	(2,182)	(24,594)	(26,878)
ome tax expense	—	—	500	500
: loss	(6,697)	(5,707)	(27,122)	(39,526)
ferred dividends	—	—	(1,395)	(1,395)
s applicable to common stockholders	$ (6,697)	$ (5,707)	$ (28,517)	$ (40,921)

(A) General and administrative expenses included severance expenses of zero and $0.1 million for the three and six months ended June 30, 2021, respectively, and zero and $0.7 million for the three and six months ended June 30, 2020, respectively.

(B) Acquisition and transaction expenses include costs related to completed and potential acquisitions and transactions and strategic initiatives which may include advisory, legal, accounting and other professional or consulting fees.

(C) 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.

(D) Interest expense included the accretion of membership deposit liabilities in the amount of $2.1 million and $4.1 million for the three and six months ended June 30, 2021, respectively, and $1.9 million and $3.6 million for the three and six months ended June 30, 2020, respectively. Interest expense and capitalized interest are combined in interest expense, net on the Consolidated Statements of Operations.

(dollars in tables in thousands, except share data)

5. PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

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

	June 30, 2021			December 31, 2020		
	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	142,064	(42,021)	100,043	142,635	(40,198)	102,437
Furniture, fixtures and equipment	51,033	(27,069)	23,964	51,622	(24,422)	27,200
Finance leases - equipment	30,362	(14,281)	16,081	34,339	(15,296)	19,043
Construction in progress	24,268	—	24,268	13,975	—	13,975
Total Property and Equipment	$ 254,497	$ (83,371)	$ 171,126	$ 249,341	$ (79,916)	$ 169,425

6. LEASES

The Company's commitments under lease arrangements are primarily ground leases, in the case of our Drive Shack brand, and commercial leases, in the case of our Puttery brand, 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 (see Note 13 for additional detail). Equipment and golf cart leases initially range between 24 to 66 months and typically contain renewal options which may be on a month-to-month basis. An option to renew a lease is included in the determination of the ROU asset and lease liability when it is reasonably certain that the renewal option will be exercised.

Lease related costs recognized in the Consolidated Statements of Operations for the three and six months ended June 30, 2021, and June 30, 2020, are as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2021	**2020**	**2021**	**2020**
Finance lease cost				
Amortization of right-of-use assets	$ 1,280	$ 1,485	$ 2,747	$ 3,016
Interest on lease liabilities	296	246	622	587
Total finance lease cost	1,576	1,731	3,369	3,603
Operating lease cost				
Operating lease cost	7,666	9,002	16,570	18,269
Short-term lease cost	170	421	510	848
Variable lease cost	5,622	1,541	9,630	4,331
Total operating lease cost	13,458	10,964	26,710	23,448
Total lease cost	$ 15,034	$ 12,695	$ 30,079	$ 27,051

(dollars in tables in thousands, except share data)

Other information related to leases included on the Consolidated Balance Sheet as of and for the six months ended June 30, 2021 are as follows:

	Operating Leases	Financing Leases
Right-of-use assets	$ 187,870	$ 16,081
Lease liabilities	$ 189,997	$ 15,996
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows	$ 15,242	$ 296
Financing cash flows	$ —	$ 3,082
Right-of-use assets obtained in exchange for lease liabilities	$ 7,002	$ 495
Weighted average remaining lease term	14.3 years	3.4 years
Weighted average discount rate	8.3 %	6.3 %

Future minimum lease payments under non-cancellable leases as of June 30, 2021 are as follows:

	Operating Leases	Financing Leases
July 1, 2021 - December 31, 2021	$ 19,522	$ 3,406
2022	30,662	5,641
2023	30,514	4,642
2024	24,536	2,472
2025	21,555	1,264
Thereafter	183,074	330
Total minimum lease payments	309,863	17,755
Less: imputed interest	119,866	1,759
Total lease liabilities	$ 189,997	$ 15,996

7. INTANGIBLES, NET OF ACCUMULATED AMORTIZATION

The following table summarizes the Company’s intangible assets:

	June 30, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade name	$ 721	$ (175)	$ 546	$ 700	$ (163)	$ 537
Management contracts	28,912	(17,205)	11,707	31,043	(18,427)	12,616
Internally-developed software	341	(110)	231	314	(79)	235
Membership base	4,012	(3,276)	736	5,944	(5,236)	708
Non-amortizable liquor licenses	961	—	961	1,028	—	1,028
Total Intangibles	$ 34,947	$ (20,766)	$ 14,181	$ 39,029	$ (23,905)	$ 15,124

(dollars in tables in thousands, except share data)

8. DEBT OBLIGATIONS

The following table presents certain information regarding the Company’s debt obligations at June 30, 2021 and December 31, 2020:

		June 30, 2021							December 31, 2020	
Debt Obligation/Collateral	Month Issued	Outstanding Face Amount	Carrying Value	Final Stated Maturity	Weighted Average Coupon	Weighted Average Funding Cost (A)	Weighted Average Life (Years)	Face Amount of Floating Rate Debt	Outstanding Face Amount	Carrying Value
Credit Facilities and Finance Leases										
Vineyard II	Dec 1993	$ 200	$ 200	Dec 2043	2.43%	2.43 %	22.5	$ —	$ 200	$ 200
Finance leases (Equipment)	Jul 2014 - Jun 2021	15,996	15,996	July 2021 - Jan 2027	3.00% to 15.00%	6.3 %	3.4	—	19,021	19,021
		16,196	16,196			6.27 %	3.7	—	19,221	19,221
Less current portion of obligations under finance leases		5,794	5,794						6,470	6,470
Credit facilities and obligations under finance leases - noncurrent		10,402	10,402						12,751	12,751
Corporate										
Junior subordinated notes payable (B)	Mar 2006	51,004	51,179	Apr 2035	LIBOR+2.25%	2.43 %	13.84	51,004	51,004	51,182
Total debt obligations		$ 67,200	$ 67,375			3.18 %	11.4	$ 51,004	$ 70,225	$ 70,403

(A) Including the effect of deferred financing costs.
(B) Collateral for this obligation is the Company's general credit.

9. REAL ESTATE SECURITIES

The following is a summary of the Company’s real estate securities at June 30, 2021, which are classified as available-for-sale and are, therefore, reported at fair value with changes in fair value recorded in other comprehensive income, except for securities that are other-than-temporarily impaired.

		Amortized Cost Basis			Gross Unrealized				Weighted Average				
Asset Type	Outstanding Face Amount	Before Impairment	Other-Than-Temporary Impairment	After Impairment	Gains	Losses	Carrying Value (A)	Number of Securities	Rating (B)	Coupon	Yield	Life (Years) (C)	Principal Subordination (D)
June 30, 2021													
ABS - Non-Agency RMBS (E)	$ 4,000	$ 3,535	$ (1,521)	$ 2,014	$ 1,327	$ —	$ 3,341	1	CCC	0.68 %	29.16 %	2.11	58.9 %
December 31, 2020													
ABS - Non-Agency RMBS (E)	$ 4,000	$ 3,276	$ (1,521)	$ 1,755	$ 1,468	$ —	$ 3,223	1	CCC	0.73 %	29.14 %	2.6	52.2 %

(A) See Note 10 regarding the estimation of fair value, which is equal to carrying value for all securities.
(B) Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. For each security rated by multiple rating agencies, the lowest rating is used. Ratings provided were determined by third-party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current.
(C) The weighted average life is based on the timing of expected cash flows on the assets.
(D) Percentage of the outstanding face amount of securities and residual interests that is subordinate to the Company’s investment.
(E) The ABS - Non-Agency RMBS is a floating rate security and the collateral securing it is located in various geographic regions in the United States. The Company does not have significant investments in any one geographic region.

The Company had no securities in an unrealized loss position as of June 30, 2021.

(dollars in tables in thousands, except share data)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Summary Table

The following table summarizes the carrying values and estimated fair values of the Company's financial instruments at June 30, 2021:

	June 30, 2021			December 31, 2020	
	Carrying Value	Estimated Fair Value	Fair Value Method (A)	Carrying Value	Estimated Fair Value
Assets					
Real estate securities, available-for-sale	$ 3,341	$ 3,341	Pricing models - Level 3	$ 3,223	$ 3,223
Cash and cash equivalents	81,428	81,428		47,786	47,786
Restricted cash, current and noncurrent	4,017	4,017		3,047	3,047
Liabilities					
Junior subordinated notes payable	$ 51,179	$ 25,465	Pricing models - Level 3	$ 51,182	$ 18,591

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

Fair Value Measurements

Valuation Hierarchy

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

Level 1 - Quoted prices in active markets for identical instruments.
Level 2 - Valuations based principally on observable market parameters, including
- quoted prices for similar assets or liabilities in active markets,
- inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads), and
- market corroborated inputs (derived principally from or corroborated by observable market data).

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

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

The Company has various processes and controls in place to ensure that fair value measurements are reasonably estimated. With respect to broker and pricing service quotations, and in order to ensure these quotes represent a reasonable estimate of fair value, the Company's quarterly procedures include a comparison of such quotations to quotations from different sources, outputs generated from its internal pricing models and transactions completed, as well as on its knowledge and experience of these markets. With respect to fair value estimates generated based on the Company's internal pricing models, the Company's management validates the inputs and outputs of the internal pricing models by comparing them to available independent third-party market parameters and models, where available, for reasonableness. The Company believes its valuation methods and the assumptions used are appropriate and consistent with other market participants.

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.

(dollars in tables in thousands, except share data)

Significant Unobservable Inputs

The following table provides quantitative information regarding the significant unobservable inputs used by the Company for assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

			Significant Inputs			
Asset Type	Amortized Cost Basis	Fair Value	Discount Rate	Prepayment Speed	Cumulative Default Rate	Loss Severity
ABS - Non-Agency RMBS	$ 2,014	$ 3,341	10.0 %	7.5 %	2.7 %	65.0 %

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.

Real estate securities measured at fair value on a recurring basis using Level 3 inputs changed during the six months ended June 30, 2021 as follows:

	ABS - Non-Agency RMBS
Balance at December 31, 2020	$ 3,223
Total gains (losses) (A)	
Included in other comprehensive income (loss)	(142)
Amortization included in interest income	272
Purchases, sales and repayments (A)	
Proceeds	(12)
Balance at June 30, 2021	$ 3,341

(A) There were no purchases, sales or transfers into or out of Level 3 during the six months ended June 30, 2021.

Liabilities for Which Fair Value is Only Disclosed

The following table summarizes the level of the fair value hierarchy, valuation techniques and inputs used for estimating each class of liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed:

Type of Liabilities Not Measured At Fair Value for Which Fair Value Is Disclosed	Fair Value Hierarchy	Valuation Techniques and Significant Inputs
Junior subordinated notes payable	Level 3	Valuation technique is based on discounted cash flows. Significant inputs include: • Amount and timing of expected future cash flows • Interest rates • Market yields and the credit spread of the Company

(dollars in tables in thousands, except share data)

11. EQUITY AND EARNINGS PER SHARE

A. Stock Options

The following is a summary of the changes in the Company's outstanding options for the six months ended June 30, 2021:

	Number of Options	Weighted Average Strike Price	Weighted Average Life Remaining (in years)
Balance at December 31, 2020	4,935,732	$ 2.57	
Exercised	(1,048,652)	1.00	
Balance at June 30, 2021	3,887,080	$ 3.00	2.00
Exercisable at June 30, 2021	2,883,458	$ 3.00	2.00

As of June 30, 2021, the Company's outstanding options were summarized as follows:

	Number of Options
Held by a former Manager	2,578,593
Issued to a former Manager and subsequently transferred to certain of that Manager's employees (A)	1,308,154
Issued to the independent directors	333
Total	3,887,080
Weighted average strike price	$ 3.00

(A) The Company and a former Manager agreed that options held by certain employees formerly employed by that Manager will not terminate or be forfeited as a result of the Termination and Cooperation Agreement, and the vesting of such options will relate to the relevant holder's employment with the Company and its affiliates following January 1, 2018. In both February 2017 and April 2018, the former Manager issued 1,152,495 options to certain employees formerly employed by the Manager as part of their compensation. The options fully vest and are exercisable one year prior to the option expiration date, beginning March 2020 through January 2024. For the six months ended June 30, 2021, the former Manager exercised 1,048,652 options at a weighted average strike price of $1.00 resulting in common shares issued of736,551.

Stock-based compensation expense is recognized on a straight-line basis through the vesting date of the options. Stock-based compensation expense related to the employee options was $0.2 million and $0.4 million during the three and six months ended June 30, 2021, and $0.3 million and $0.2 million during the three and six months ended June 30, 2020, respectively, and was recorded in general and administrative expense on the Consolidated Statements of Operations. The unrecognized stock-based compensation expense related to the unvested options was $0.7 million as of June 30, 2021 and will be expensed over a weighted average of1.4 years.

B. Restricted Stock Units ("RSUs")

The following is a summary of the changes in the Company's RSUs for the six months ended June 30, 2021.

	Number of RSUs	Weighted Average Grant Date Fair Value (per unit)
Balance at December 31, 2020	259,238	$ 3.72
Vested / Released	(66,943)	$ 4.59
Forfeited	(46,967)	$ 3.64
Balance at June 30, 2021	145,328	$ 3.34

The Company grants RSUs to the non-employee directors as part of their annual compensation. The RSUs are subject to aone year vesting period. During the six months ended June 30, 2021, the Company granted no RSUs to non-employee directors and

5,423 RSUs granted to non-employee directors vested. The Company also grants RSUs to employees as part of their annual compensation. The RSUs vest in equal annual installments on each of the first three anniversaries of the grant date. During the six months ended June 30, 2021, the Company granted no RSUs to employees and 61,520 RSUs granted to employees vested. Stock-based compensation expense is recognized on a straight-line basis through the vesting date of the RSUs. Stock-based compensation expense related to RSUs was $0.1 million and $0.2 million during the three and six months ended June 30, 2021, and $0.2 million and $0.5 million for the three and six months ended June 30, 2020, respectively. Stock-based compensation expense was recorded in general and administrative expense on the Consolidated Statements of Operations. The unrecognized stock-based compensation expense related to the unvested RSUs was $0.3 million as of June 30, 2021 and will be expensed over a weighted average period of 0.72 years.

C. Dividends

No dividends were declared on the 9.750% Series B, 8.050% Series C or 8.375% Series D preferred stock, for the twelve-month period beginning February 1, 2020 and ending January 31, 2021. As of June 30, 2021, $5.6 million of dividends on the Company's cumulative preferred stock were unpaid and in arrears.

On March 12, 2021 the board of directors declared dividends on the Company's preferred stock for the period beginning February 1, 2021 and ending April 30, 2021, payable on April 30, 2021 to holders of record of preferred stock on April 1, 2021, in an amount equal to $0.609375, $0.503125 and $0.523438 per share on the 9.750% Series B, 8.050% Series C and 8.375% Series D preferred stock, respectively. Dividends totaling $1.4 million were paid on April 29, 2021.

On May 7, 2021 the board of directors declared dividends on the Company's preferred stock for the period beginning May 1, 2021 and ending July 31, 2021, payable on July 30, 2021 to holders of record of preferred stock on July 1, 2021, in an amount equal to $0.609375, $0.503125 and $0.523438 per share on the 9.750% Series B, 8.050% Series C and 8.375% Series D preferred stock, respectively. Dividends totaling $1.4 million were paid on July 30, 2021.

(dollars in tables in thousands, except share data)

D. Earnings Per Share
The following table shows the Company's basic and diluted earnings per share ("EPS"):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator for basic and diluted earnings per share:				
Loss Applicable to Common Stockholders	$ (3,364)	$ (40,921)	$ (15,663)	$ (59,678)
Denominator:				
Denominator for basic earnings per share - weighted average shares	92,065,615	67,111,843	87,338,509	67,090,805
Effect of dilutive securities				
Options	—	—	—	—
RSUs	—	—	—	—
Denominator for diluted earnings per share - adjusted weighted average shares	92,065,615	67,111,843	87,338,509	67,090,805
Basic earnings per share:				
Loss from continuing operations per share of common stock after preferred dividends	$ (0.04)	$ (0.61)	$ (0.18)	$ (0.89)
Loss Applicable to Common Stock, per share	$ (0.04)	$ (0.61)	$ (0.18)	$ (0.89)
Diluted earnings per share:				
Loss from continuing operations per share of common stock after preferred dividends	$ (0.04)	$ (0.61)	$ (0.18)	$ (0.89)
Loss Applicable to Common Stock, per share	$ (0.04)	$ (0.61)	$ (0.18)	$ (0.89)

The Company's dilutive securities are outstanding stock options and RSUs. During the three and six months ended June 30, 2021, based on the treasury stock method, the Company had 542,438 and 711,237 outstanding stock options and RSUs, respectively, which were excluded due to the Company's loss position. During the three and six months ended June 30, 2020, based on the treasury stock method, the Company had 964,335 potentially dilutive securities.

On February 2, 2021, the Company completed the public offering of23,285,553 shares of common stock and the sale of672,780 shares of common stock to the Chairman of our Board of Directors resulting in net proceeds to the Company of $54.6 million, after deducting the underwriters discount of $2.9 million. Other expenses related to the offering totaled $0.6 million. The Company intends to use all of the net proceeds from the offering to fund its Puttery expansion and for general corporate purposes.

12. TRANSACTIONS WITH AFFILIATES AND AFFILIATED ENTITIES

Other Affiliated Entities

The Company incurred expenses for services of a Company executive prior to execution of an employment agreement, which were reimbursed to an affiliate of a member of the Board of Directors, subject to Board approval. The Company accrued $0.2 million in compensation expense for the year ended December 31, 2019, and an additional $0.1 million during 2020. The amounts were repaid as of December 31, 2020.

13. COMMITMENTS AND CONTINGENCIES

Legal Contingencies - 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 June 30, 2021, 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.

Commitments - As of June 30, 2021, the Company had future payments for additional operating leases that had not yet commenced of $19.0 million. The leases are expected to commence over the next 12 - 24 months with lease terms of approximately 10 to 15 years. These leases are primarily commercial leases for future Puttery venues and the recognition of these leases on our balance sheet generally occurs when the Company takes possession of the underlying property.

Preferred Dividends in Arrears - As of June 30, 2021, $5.6 million of dividends on the Company's cumulative preferred stock were unpaid and in arrears.

14. 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 $0.5 million and $0.9 million for the three and six months ended June 30, 2021, and $0.5 million and $0.8 million for the three and six months ended June 30, 2020.

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 maintained a valuation allowance against its deferred tax assets as of June 30, 2021 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 United States federal and state income tax returns in various jurisdictions. As of June 30, 2021, the Company is not subject to examination by the IRS for the years prior to 2017 and is currently under examination in Idaho for open tax years 2017 and later.

At December 31, 2020 and June 30, 2021, the Company reported a total liability for unrecognized tax benefits of $1.2 million. The Company does not anticipate any significant increases or decreases to the balance of unrecognized tax benefits during the next 12 months.

On March 11, 2021 the American Rescue Plan Act of 2021 was signed into law in response to the COVID-19 pandemic. The new law contains certain tax credits for businesses and changes to tax rules for the allocation of interest expense. The legislation does not have a material impact on the Company's tax positions.

(dollars in tables in thousands, except share data)

15. (GAIN) LOSS ON LEASE TERMINATIONS AND IMPAIRMENT

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Gain) Loss on lease terminations	$ (655)	$ (3,125)	$ (655)	$ (3,125)
Impairment on corporate office assets (held-for-use)	—	—	3,303	—
Impairment on traditional golf properties (held-for-use)	—	—	—	792
Other losses	94	—	—	—
Total (Gain) Loss on lease terminations and impairment	$ (561)	$ (3,125)	$ 2,648	$ (2,333)

(Gain) Loss on lease terminations -

During the three and six months ended June 30, 2021, the Company recorded a gain of $0.7 million on the termination of one traditional golf course lease. The gain related to the derecognition of long-lived, intangible, and ROU assets and membership deposit liability balances.

During the three and six months ended June 30, 2020, the Company recorded a gain of $3.1 million on the termination of two traditional golf course leases. The gains related to the derecognition of long-lived, intangible, and ROU assets and membership deposit liability balances.

Held-for-use impairment -

During the six months ended June 30, 2021, the Company recorded impairment charges of $3.3 million related to right-of-use and other lease related assets of our former headquarters office in New York given the relocation of the Company's headquarters to Dallas, TX. This includes impairment of leasehold improvements of $0.1 million, furniture fixtures, and equipment of $0.6 million, and ROU assets of $2.3 million. The Company evaluated the recoverability of the carrying value of these assets using the income approach based on future assumptions of cash flows. The development of discounted cash flow models used to estimate the fair value of the asset groups required the application of significant judgement in determining market participant assumptions, including the projected sublease income over the remaining lease terms, expected downtime prior to the commencement of future subleases, expected lease incentives offered to future tenants, and discount rates that reflected the level of risk associated with these future cash flows. As the fair value inputs utilized are unobservable, the Company determined that the significant inputs used to value these properties fall within Level 3 for fair value reporting.

Other losses -

During the three months ended June 30, 2021, the Company recorded other losses totaling $0.1 million on retirement of other traditional golf assets.

16. SUBSEQUENT EVENTS

On July 12, 2021, the Company entered into an Investment Agreement among the Company and Symphony Ventures, a partnership organized under the laws of Ireland, pursuant to which Symphony Ventures committed to invest $10.0 million in Puttery. On the terms and subject to the conditions set forth in the Investment Agreement, the Company will sell to Symphony Ventures 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 each 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 Ventures' purchase price in each such SLP will be applied to satisfy the commitment. In connection with each investment in an SLP, Symphony Ventures will receive the option to purchase partnership interests representing an additional 10% of the partnership interests in such SLP, at a purchase price equal to the original purchase price, exercisable within the first year following each investment. The Commitment expires on January 1, 2024. Following the satisfaction of its commitment of $10,000,000.00, Symphony Ventures will have the right, but not the obligation, to invest in each Puttery venue that the Company opens through the end of 2023, on the same terms as those applicable to the committed amount.

On August 5, 2021, the Board of Directors of the Company declared dividends on the Company's preferred stock for the period beginning August 1, 2021, and ending October 31, 2021. The dividends are payable on November 1, 2021, to holders of record of preferred stock on October 1, 2021, 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of Drive Shack Inc., which is referred to, together with its subsidiaries as Drive Shack Inc. or the Company. The following should be read in conjunction with the unaudited Consolidated Financial Statements and notes thereto and with Part II, Item 1A. "Risk Factors" of this report and Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

GENERAL

Business Overview

Drive Shack Inc. a Maryland corporation, was formed in 2002 and its common stock is traded on the NYSE under the symbol "DS." The Company owns and operates golf-related leisure and social entertainment venues and courses focused on bringing people together through competitive socializing, by combining sports and entertainment with elevated F&B offerings.

The Company conducts its business through an integrated portfolio spanning three brands, Drive Shack, American Golf, and Puttery. Drive Shack, which launched in 2018, owns and operates four entertainment golf venues featuring tech-enabled hitting bays with in-bay dining, full-service restaurants, bars, and event spaces. American Golf, the longest-running business in our portfolio, owns, leases, and manages 56 traditional golf properties spanning nine states throughout the United States. Puttery, the Company's newest competitive socializing and entertainment platform, is a smaller venue format featuring indoor technology-enabled indoor putting courses, F&B offerings, multiple bars, lounges, and VIP spaces. The Company expects to launch its first Puttery venue in summer 2021.

Operating Segments

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

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

  As of June 30, 2021, the Company operated four Drive Shack venues located in Orlando, Florida; West Palm Beach, Florida; Raleigh, North Carolina; and Richmond, Virginia. Additionally, the Company is committed to leases in New Orleans, Louisiana and in Manhattan (Randall's Island), New York for Drive Shack venues. Drive Shack venues are freestanding, 60,000 square feet, open-air venues built on approximately 12 acres.

  This segment also includes the Company's newest entertainment golf brand, Puttery, which is currently under development with the first venue in Dallas, TX expected to debut in summer 2021, and its second venue in Charlotte, NC expected to open in Q4 2021. Refer to New Venue Development and Growth section for additional information on Puttery.

- **Traditional Golf | American Golf**

  American Golf, acquired by the Company in December 2013, is one of the largest operators of golf properties in the United States. As an owner, lessee, and manager of golf courses and country clubs for over 45 years, we believe American Golf is one of the most experienced operators in the traditional golf industry. As of June 30, 2021, we owned, leased or managed 56 properties across nine states. American Golf is focused on delivering lasting experiences for our guests, with over 35,000 members and over 1.2 million rounds played at our properties during the six months ended June 30, 2021.

  Our traditional golf operations are organized into three principal categories due to the nature of the revenue streams generated by the following properties: (1) public properties (all leased), (2) private properties (leased and owned) and (3) managed properties (public and private).

  Public Properties. Our 30 leased public properties generate revenues principally through daily green fees, golf cart rentals and food, beverage and merchandise sales. Amenities at these properties generally include practice facilities, pro shops and F&B facilities. In some locations, our public properties have larger clubhouses with extensive banquet facilities. In addition, The Players Club is a fee-based, monthly membership program offered at most of our public properties, with membership benefits ranging from daily range access and off-peak course access to the ability to participate in golf clinics.

Private Properties. On May 5, 2021, the SeaCliff Country Club lease expired, reducing the total number of private leased or owned courses from 5 to 4. Our 4 leased or owned private properties, which are open to members and their guests, generate revenues principally through initiation fees, membership dues, food, beverage and merchandise sales, and guest fees. Amenities at these properties typically include practice facilities, full-service clubhouses with a pro shop, locker room facilities and multiple F&B outlets, including grills, restaurants and banquet facilities.

Managed Properties. Following the close of business on March 31, 2021, management agreements expired for the Lomas Santa Fe Country Club, Tustin Ranch Golf Club, and Yorba Linda Country Club, reducing the total number of courses managed in our traditional golf business from 25 to 22. Our 22 managed properties are operated by American Golf pursuant to management agreements with the owners of each property. We recognize revenue from each of these properties in an amount equal to a management fee and the reimbursements of certain operating costs.

New Venue Development and Growth | Puttery

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

Puttery is expected to expand our business by diversifying our experiential offerings with a modern spin on indoor putting through auto-scoring technology that presents digital scores to guests in real-time. Each location will feature a series of tech-enabled putting courses anchored by bars and other social spaces that will serve to create engaging and fun experiences for our guests.

Our Puttery venues require much less space, approximately 15,000 - 20,000 sq.ft. of indoor new or existing retail space. The new indoor venue format expands store potential by hundreds of markets due to the vast availability of real estate, shorter development timelines, less capital risk and higher development yields. Advanced data and demographic analytics will allow us to strategically evaluate and develop a robust pipeline of target sites in prioritized markets across the United States. As we look to further grow our Puttery brand, the smaller format offers us the opportunity to improve investment returns and take advantage of the vast availability of retail space at a potential discount.

The Company is committed to seven Puttery venues open, in development or in leasing by the end of 2021. The Company has announced its first five venues in Dallas, Texas; Charlotte, North Carolina; Washington DC; Miami, Florida and Houston, Texas. Dallas is expected to open in August 2021 and Charlotte is projected to open in Q4 2021. Washington DC is projected to open in Q1 2022; Miami and Houston are projected to open in Q3 of 2023. Two additional locations are currently in or nearing lease execution.

Notable Operational Results

Mandatory business closures and "stay-at-home orders" have pushed us to reimagine the way we operate across critical aspects of our business. We remain focused on our core fundamentals, seeking opportunities to drive operational efficiencies and continuous improvement while providing an outstanding guest experience.

During the second quarter, our Drive Shack venues generated total revenue of $11.6 million, while operating under capacity limitations at our hitting bays and limited bar service. Our traditional golf properties generated revenue of $62.3 million, while subject to some lingering operational restrictions.

Golf continues to emerge as one of the top outdoor activities naturally conducive to social distancing practices. Our traditional golf properties produced strong results during the six months ended June 30, 2021, highlighting the unwavering demand for the sport. Restrictions on large gatherings are no longer in effect in the primary jurisdictions in which we operate. As such we are experiencing the return of events, banquets and other large gatherings which has led to increased sales of food and beverages.

COVID-19 Update

In response to the COVID-19 global pandemic declared by the World Health Organization in March 2020, many states and localities in which we operate issued “stay at home” or “shelter in place” orders and other social distancing measures, in addition to mandatory store closures, capacity limitations and other restrictions affecting our operations. As a result, during March 2020, we temporarily closed all of our entertainment golf venues and substantially all of our traditional golf properties.

Subsequent to our closures, the gradual easing of restrictions has permitted us to safely and responsibly resume operations at both our entertainment golf venues and our traditional golf properties. Subject to locally mandated COVID-19 capacity and other limitations, all of our traditional golf properties and three of our four Drive Shack venues were safely and responsibly reopened by the end of the second quarter 2020. The fourth Drive Shack venue was reopened at the end of the fourth quarter of 2020. As of June 30, 2021, all of our entertainment golf venues and traditional golf properties were fully open and operating.

Our top priority remains protecting the health and safety of our employees and guests while continuing to provide a safe, fun and comfortable setting for our guests to socialize and engage in physical activities. Our entertainment golf venues and traditional golf properties are currently operating with restrictive and precautionary measures in place, including enhanced cleaning and sanitization protocols, capacity limitations in our suite style hitting bays (varying by location), social distancing measures and certain restrictions on bar and dining services (also varying by location). As an additional protective measure, the Company installed new protective dividers in between the suite style hitting bays at its entertainment golf venues. Restrictions on large group gatherings were placed in effect in the majority of the jurisdictions in which we operate, which resulted in the postponement or cancellation of a substantial number of tournaments, banquets and other large gatherings. Although the Company continues to take necessary precautions, as of June 30, 2021 coronavirus related restrictions have been lifted in all of the states in which we operate.

As government lockdown orders have eased, we believe many Americans have been eagerly seeking a return to a sense of normalcy, and craving activities and socialization that can be enjoyed safely. Golf has emerged as one of the top activities that meet these criteria and that can offer valuable physical and mental respite during these unprecedented times. This has been evident by the continued demand for tee times at our traditional golf properties since reopening, with utilization of tee time inventory up over the prior year. Engagement in golf has strengthened across an expanded base of participants ranging from the core golfers, to lapsed golfers making their return, and families and new participants of all ages.

The Company provides two different avenues for our guests to get outdoors and safely engage in the sport of golf with our entertainment golf venues and traditional golf properties. The outdoor open-air layout of our entertainment golf venues, with defined suite style hitting bays (partitioned by new protective dividers), and the outdoor wide-open nature of our traditional golf courses provide the ideal setting for guests to connect with friends while enjoying physical activity and maintaining social distancing. Both offerings naturally limit guest overlap and, combined with enhanced safety protocols, provide a safe and comfortable setting for guests to socialize. We believe these factors to be key differentiators that will provide the Company with a competitive advantage within the leisure and entertainment industry for years to come.

We have experienced strong demand for golf at both our traditional golf courses and entertainment golf venues, and now our food, beverage and event sales, which were more severely impacted by the coronavirus related restrictions is also experiencing greater demand and returning to pre-pandemic levels . We continue to seek opportunities to drive operational efficiencies and implement aggressive cost reduction and cash preservations measures to maintain and protect the financial health of the Company.

Given the continuing dynamic nature and fluidity of the pandemic, we cannot reasonably estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. The extent of the ultimate impact will depend on the future developments that are uncertain and unpredictable, including actions to contain or mitigate its impact, the timing of economic recovery, and consumer behaviors, preferences and discretionary spending, among others.

CARES Act

On March 27, 2020, Congress enacted the CARES Act to provide certain relief in response to the COVID-19 pandemic. The CARES Act includes numerous tax provisions and other stimulus measures. Among the various provisions in the CARES Act, the Company is utilizing the payroll tax deferrals offered as it continues to evaluate the applicability of other benefits.

RESULTS OF OPERATIONS

The following tables summarize our results of operations for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Increase (Decrease)	
(dollar amounts in thousands)	2021	2020	Amount	%
Revenues				
Golf operations (A)	$ 61,750	$ 29,675	$ 32,075	108.1 %
Sales of food and beverages	12,129	2,425	9,704	400.2 %
Total revenues	73,879	32,100	41,779	130.2 %
Operating costs				
Operating expenses (A)	55,635	33,224	22,411	67.5 %
Cost of sales - food and beverages	3,151	829	2,322	280.1 %
General and administrative expense	8,028	6,368	1,660	26.1 %
Depreciation and amortization	5,784	6,682	(898)	(13.4)%
Pre-opening costs	789	270	519	192.2
(Gain) Loss on lease terminations and impairment	(561)	(3,125)	2,564	(82.0)%
Total operating costs	72,826	44,248	28,578	64.6 %
Operating loss	1,053	(12,148)	(13,201)	(108.7)%
Other income (expenses)				
Interest and investment income	159	135	24	17.8 %
Interest expense, net	(2,713)	(2,591)	122	4.7 %
Other income (loss), net	(18)	(24,422)	24,404	99.9 %
Total other income (expenses)	(2,572)	(26,878)	24,306	90.4 %
Loss before income tax	$ (1,519)	$ (39,026)	$ (37,507)	(96.1)%

	Six Months Ended June 30,		Increase (Decrease)	
(dollar amounts in thousands)	2021	2020	Amount	%
Revenues				
Golf operations (A)	$ 114,912	$ 78,300	$ 36,612	46.8 %
Sales of food and beverages	20,059	14,935	5,124	34.3 %
Total revenues	134,971	93,235	41,736	44.8 %
Operating costs			0	
Operating expenses (A)	104,504	87,591	16,913	19.3 %
Cost of sales - food and beverages	5,255	4,484	771	17.2 %
General and administrative expense	16,012	16,186	(174)	(1.1)%
Depreciation and amortization	12,029	13,476	(1,447)	(10.7)%
Pre-opening costs	1,345	822	523	63.6
(Gain) Loss on lease terminations and impairment	2,648	(2,333)	4,981	(213.5)%
Total operating costs	141,793	120,226	21,567	17.9 %
Operating loss	(6,822)	(26,991)	(20,169)	(74.7)%
Other income (expenses)				
Interest and investment income	312	265	47	17.7 %
Interest expense, net	(5,339)	(5,336)	3	0.1 %
Other income (loss), net	(79)	(24,055)	23,976	99.7 %
Total other income (expenses)	(5,106)	(29,126)	24,020	82.5 %
Loss before income tax	$ (11,928)	$ (56,117)	$ (44,189)	(78.7)%

(A) Includes $12.9 million and $26.7 million for the three and six months ended June 30, 2021, and $8.5 million and $21.8 million for the three and six months ended June 30, 2020, respectively, due to management contract reimbursements reported under ASC 606.

Revenues from Golf Operations

Revenues from Golf Operations comprise principally: (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 at Drive Shack 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)	**June 30, 2021**	**June 30, 2020**	**Amount**	**%**
Golf operations	$ 61,750	$ 29,675	$ 32,075	108.1 %
Percentage of total revenue	*83.6 %*	*92.4 %*		

Revenues from golf operations increased by $32.1 million primarily due to a $27.5 million increase in traditional golf related to course re-openings after courses closed until May 2020 and some closures continued in June 2020 due to COVID-19 restrictions. This was in addition to a $4.6 million increase in Entertainment Golf primarily due to higher traffic at the venues as COVID-19 restrictions continue to be lifted versus the prior year period at the onset of the pandemic.

	Six Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	**June 30, 2021**	**June 30, 2020**	**Amount**	**%**
Golf operations	$ 114,912	$ 78,300	$ 36,612	46.8 %
Percentage of total revenue	*85.1 %*	*84.0 %*		

Revenues from golf operations increased by $36.6 million primarily due to a $32.5 million increase in traditional golf related to course re-openings after courses closed during March 2020 and some closures continued in June 2020 due to COVID-19 restrictions. This was in addition to a $4.1 million increase in Entertainment Golf primarily due to higher traffic at the venues as COVID-19 restrictions continue to be lifted versus the prior year period at the onset of the pandemic.

Sales of Food and Beverages

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	**June 30, 2021**	**June 30, 2020**	**Amount**	**%**
Sales of food and beverages	$ 12,129	$ 2,425	$ 9,704	400.2 %
Percentage of total revenue	*16.4 %*	*7.6 %*		

Sales of food and beverages increased by $9.7 million, due to a $4.5 million increase in traditional golf, and a $5.2 million increase in entertainment golf. The increase in traditional golf was primarily due to the return of tournament and large group event-related revenues as COVID-19 related restrictions lifting. Entertainment golf increased due to higher traffic at the venues related to the lifting of COVID-19 restrictions.

	Six Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	June 30, 2021	June 30, 2020	Amount	%
Sales of food and beverages	$ 20,059	$ 14,935	$ 5,124	34.3 %
Percentage of total revenue	*14.9 %*	*16.0 %*		

Sales of food and beverages increased by $5.1 million, due to a $1.3 million increase in traditional golf, and a $3.8 million increase in entertainment golf. The increase in traditional golf was primarily due to the return of tournament and large group event-related revenues as COVID-19 related restrictions were lifting. Entertainment golf increased due to higher traffic at the venues related to the lifting of COVID-19 restrictions.

Operating Expenses

Operating expenses consist of 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 venue-level operating expenses (including utilities, repair and maintenance, and marketing), excluding pre-opening costs, which are recorded separately. Operating expenses also include venue-level operating costs for managed courses, for which we are reimbursed.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	June 30, 2021	June 30, 2020	Amount	%
Operating expenses	$ 55,635	$ 33,224	$ 22,411	67.5 %
Percentage of total revenue	*75.3 %*	*103.5 %*		

Operating expenses increased by $22.4 million, primarily due to a $19.4 million increase in traditional golf, and a $3.0 million increase in entertainment golf. The increase in was primarily due to increases in payroll and payroll related expenses as venues and events continue to ramp up this year with COVID-19 restrictions lifting.

	Six Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	June 30, 2021	June 30, 2020	Amount	%
Operating expenses	$ 104,504	$ 87,591	$ 16,913	19.3 %
Percentage of total revenue	*77.4 %*	*93.9 %*		

Operating expenses increased by $16.9 million, due to a $17.0 million increase in traditional golf, and no change in entertainment golf. The increase in traditional golf was primarily due to increased costs to support increased operations with the lifting of COVID-19 restrictions.

Cost of Sales - Food and Beverages

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	June 30, 2021	June 30, 2020	Amount	%
Cost of sales - food and beverages	$ 3,151	$ 829	$ 2,322	280.1 %
Percentage of total revenue	*4.3 %*	*2.6 %*		

Cost of sales - food and beverages increased by $2.3 million directionally in-line with corresponding increase in food and beverage sales in traditional golf and entertainment golf.

(dollar amounts in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Increase (Decrease) Amount	Increase (Decrease) %
Cost of sales - food and beverages	$ 5,255	$ 4,484	$ 771	17.2 %
Percentage of total revenue	*3.9 %*	*4.8 %*		

Cost of sales - food and beverages increased by $0.8 million million directionally in-line with corresponding increase in sales partially offset as prior year also included spoilage charges isolated to Q1-2020 from the onset of the pandemic and resulting venue shutdowns.

General and Administrative Expense (including Acquisition and Transaction 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.

(dollar amounts in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Increase (Decrease) Amount	Increase (Decrease) %
General and administrative expense	$ 8,028	$ 6,368	$ 1,660	26.1 %
Percentage of total revenue	*10.9 %*	*19.8 %*		

General and administrative expense increased by $1.7 million consisting of a $0.5 million increase in Traditional Golf, a $0.3 million increase in Entertainment Golf and a $0.9 million increase at Corporate. The increase across all segments is due primarily to higher payroll and payroll-related expenses compared to reduced headcounts during the pandemic.

(dollar amounts in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Increase (Decrease) Amount	Increase (Decrease) %
General and administrative expense	$ 16,012	$ 16,186	$ (174)	(1.1)%
Percentage of total revenue	*11.9 %*	*17.4 %*		

General and administrative expense decreased by $(0.2) million consisting of a $0.4 million decrease in Traditional Golf and a $0.6 million decrease in Entertainment Golf, partially offset by an increase of $0.8 million at Corporate. Overall, the decrease is due to a $(1.5) million decrease non-recurring transaction costs and professional fees partially offset by a $1.3 million increase in payroll related expenses and professional fees.

Depreciation and Amortization

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

(dollar amounts in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Increase (Decrease) Amount	Increase (Decrease) %
Depreciation and amortization	$ 5,784	$ 6,682	$ (898)	(13.4)%
Percentage of total revenue	*7.8 %*	*20.8 %*		

Depreciation and amortization decreased by $(0.9) million primarily due to the disposition of the SeaCliff Country Club.

	Six Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	June 30, 2021	June 30, 2020	Amount	%
Depreciation and amortization	$ 12,029	$ 13,476	$ (1,447)	(10.7)%
Percentage of total revenue	*8.9 %*	*14.5 %*		

Depreciation and amortization decreased by $(1.4) million primarily due the disposition of SeaCliff.

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)	June 30, 2021	June 30, 2020	Amount	%
Pre-opening costs	$ 789	$ 270	$ 519	192.2 %
Percentage of total revenue	*1.1 %*	*0.8 %*		

The increase is due to the impending grand opening of Puttery in The Colony, TX.

	Six Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	June 30, 2021	June 30, 2020	Amount	%
Pre-opening costs	$ 1,345	$ 822	$ 523	63.6 %
Percentage of total revenue	*1.0 %*	*0.9 %*		

The increase is due to the impending grand opening of Puttery in The Colony, TX.

(Gain) Loss on lease terminations and impairment

Impairment and other losses consists of any gains or losses due to lease terminations, inclusive of lease termination costs and related legal fees as well as the write-off of the net book value of property and equipment, intangible assets, ROU assets and liabilities, and remaining working capital items; impairment charges on long-lived assets, including property and equipment, intangibles, and operating lease assets; and the net book value of assets retired in the normal course of business.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	June 30, 2021	June 30, 2020	Amount	%
(Gain) Loss on lease terminations and impairment	$ (561)	$ (3,125)	$ 2,564	(82.0)%
Percentage of total revenue	*(0.8)%*	*(9.7)%*		

(Gain) Loss on lease terminations and impairment decreased by $2.6 million primarily due to the 2021 Gain on Lease Termination of SeaCliff, partially offset by the the impairment of assets related to our New York, NY corporate office totaling $3.3 million, versus the 2020 Gain on Lease Terminations related to two properties, Buffalo Creek and Monarch Bay.

	Six Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	June 30, 2021	June 30, 2020	Amount	%
(Gain) Loss on lease terminations and impairment	$ 2,648	$ (2,333)	$ 4,981	(213.5)%
Percentage of total revenue	*2.0 %*	*(2.5)%*		

(Gain) Loss on lease terminations and impairment increased by $5.0 million primarily due to the 2021 Gain on Lease Termination of SeaCliff, partially offset by the the impairment of assets related to our New York, NY corporate office totaling $3.3 million, versus the 2020 Gain on Lease Terminations related to two properties, Buffalo Creek and Monarch Bay.

Interest and Investment Income

Interest and investment income consists primarily of interest earned on cash balances and a real estate security.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	**June 30, 2021**	**June 30, 2020**	**Amount**	**%**
Interest and investment income	$ 159	$ 135	$ 24	17.8 %
Percentage of total revenue	*0.2 %*	*0.4 %*		

There was no significant change in interest and investment income.

	Six Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	**June 30, 2021**	**June 30, 2020**	**Amount**	**%**
Interest and investment income	$ 312	$ 265	$ 47	17.7 %
Percentage of total revenue	*0.2 %*	*0.3 %*		

There was no significant change in interest and investment income.

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)	**June 30, 2021**	**June 30, 2020**	**Amount**	**%**
Interest expense, net	$ (2,713)	$ (2,591)	$ 122	4.7 %
Percentage of total revenue	*(3.7)%*	*(8.1)%*		

Interest expense, net increased by $0.1 million, not a significant change.

	Six Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	**June 30, 2021**	**June 30, 2020**	**Amount**	**%**
Interest expense, net	$ (5,339)	$ (5,336)	$ 3	0.1 %
Percentage of total revenue	*(4.0)%*	*(5.7)%*		

Interest expense, net increased by less than $0.1 million, not a significant change.

Other Income (Loss), Net

Other income (loss), net, consists of gains on the sale of traditional golf properties and earnings from our equity method investment.

	Three Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	**June 30, 2021**	**June 30, 2020**	**Amount**	**%**
Other income (loss), net	$ (18)	$ (24,422)	$ 24,404	99.9 %
Percentage of total revenue	*— %*	*(76.1)%*		

Other income (loss), net increased by $24.4 million due to the $24.7 million impairment that was recognized during the three months ended June 30, 2020.

	Six Months Ended		Increase (Decrease)	
(dollar amounts in thousands)	**June 30, 2021**	**June 30, 2020**	Amount	%
Other income (loss), net	$ (79)	$ (24,055)	$ 23,976	99.7 %
Percentage of total revenue	*(0.1)%*	*(25.8)%*		

Other income (loss), net increased by $24.0 million primarily due to $24.7 million impairment that was recognized during the six months ended June 30, 2020.

SEGMENT RESULTS

Entertainment Golf

(in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Increase (Decrease) Amount
Revenues			
Golf operations	$ 5,316	$ 762	$ 4,554
Sales of food and beverages	6,273	1,028	5,245
Total revenues	11,589	1,790	9,799
Total operating costs	13,181	8,385	4,796
Operating loss	$ (1,592)	$ (6,595)	$ (5,003)

Total revenues

The increase in total entertainment golf revenues during the three months ended June 30, 2021 was due to more events and customers after the lifting of COVID-19 restrictions.

Operating loss

The increase in operating loss during the three months ended June 30, 2021 was primarily due to increased general and administrative expenses as a result of higher payroll and payroll-related expenses as venues reopened once COVID-19 restrictions were lifted.

(in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Increase (Decrease) Amount
Revenues			
Golf operations	$ 8,737	$ 4,672	$ 4,065
Sales of food and beverages	11,075	7,235	3,840
Total revenues	19,812	11,907	7,905
Total operating costs	25,319	24,942	377
Operating loss	$ (5,507)	$ (13,035)	$ (7,528)

Total revenues

The increase in total entertainment golf revenues during the six months ended June 30, 2021 was due to the return of events and customers as the venues reopened following pandemic closures in the six months ended June 30, 2020.

Operating loss

The decrease in operating loss during the six months ended June 30, 2021 was as due to increased revenues following the return of events and customers as the venues reopened following pandemic closures in the six months ended June 30, 2020.

Traditional Golf

(in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Increase (Decrease) Amount
Revenues			
Golf operations	$ 56,434	$ 28,913	$ 27,521
Sales of food and beverages	5,856	1,397	4,459
Total revenues	62,290	30,310	31,980
Total operating costs	56,707	33,835	22,872
Operating income (loss)	$ 5,583	$ (3,525)	$ 9,108

Total revenues

The increase in traditional golf total revenues during the three months ended June 30, 2021 was primarily due to course re-openings after the courses were closed in March 2020 due to COVID-19 restrictions.

Operating income (loss)

The reversal of our operating loss during the three months ended June 30, 2021 was primarily due increased revenues and enhanced margins as the courses fully reopened following pandemic closures in the three months ended June 30, 2020.

(in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Increase (Decrease) Amount
Revenues			
Golf operations	$ 106,175	$ 73,628	$ 32,547
Sales of food and beverages	8,984	$ 7,700	1,284
Total revenues	115,159	81,328	33,831
Total operating costs	107,063	89,785	17,278
Operating income (loss)	$ 8,096	$ (8,457)	$ 16,553

Total revenues

The increase in total traditional golf revenues during the six months ended June 30, 2021 was primarily due to course re-openings after being closed during the six months ended June 30, 2020 due to COVID-19 restrictions.

Operating income (loss)

The reversal of our operating loss during the six months ended June 30, 2021 was due to improved margins from the increased revenue as the courses re-opened from being closed in the six months ended June 30, 2020 due to COVID-19 restrictions.

Corporate

(in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Increase (Decrease) Amount
Total operating costs	$ 2,938	$ 2,028	$ 910
Operating loss	$ (2,938)	$ (2,028)	$ 910

Operating loss

The increase in operating loss during the three months ended June 30, 2021 was primarily due to increased payroll related expenses.

(in thousands)		Six Months Ended June 30, 2021		Six Months Ended June 30, 2020		Increase (Decrease) Amount
Total operating costs	$	9,411	$	5,499	$	3,912
Operating loss	$	(9,411)	$	(5,499)	$	(3,912)

Operating loss

The increase in operating loss during the six months ended June 30, 2021 was primarily due to the $3.3 million impairment of assets located at our New York, NY office, and a $1.6 million increase in payroll related expenses partially offset by a $1.0 million decrease in acquisition and transaction expenses.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Capital

Our primary sources of liquidity are cash and cash equivalents on hand which resulted primarily from our February 2021 equity offering and the October 2020 sale of one our Traditional Golf properties. The Company raised net proceeds of $54.6 million, after the underwriters discount of $2.9 million, through a common equity offering that closed in February 2021. Other expenses related to the offering totaled $0.6 million. In October 2020 we closed on the sale of our Rancho San Joaquin property resulting in net cash proceeds of $33.6 million. The proceeds generated by these transactions are being reinvested in our Entertainment Golf business and used to pay overhead expenses.

As of June 30, 2021, we had $81.4 million of cash and cash equivalents.

Our primary cash needs are capital expenditures for opening new Drive Shack and Puttery venues 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, and further combined with the asset sales, as discussed below, will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future.

As of June 30, 2021, we are actively exploring the capital markets to meet our medium and long-term liquidity requirements to fund planned growth, including new venue development and construction, product innovation and general corporate needs. Our financial objectives include diversifying our financing sources, optimizing the mix and maturity of new debt financings, public or private equity issuances and strategically monetizing our remaining real estate securities and other investments. We continually monitor market conditions for these financing and capital opportunities and, at any given time, may enter into or pursue one or more of the transactions described above. However, we cannot ensure that capital will be available on reasonable terms, if at all.

For a further discussion of risks that could affect our liquidity, access to capital resources and our capital obligations, see Part II, Item 1A. "Risk Factors" in this document.

Summary of Cash Flows

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net cash (used in) provided by:		
Operating activities	$ 468	$ (5,685)
Investing activities	(16,139)	(7,629)
Financing activities	50,283	(2,771)
Net Increase (Decrease) in Cash and Cash Equivalents, Restricted Cash and Restricted Cash, noncurrent	$ 34,612	$ (16,085)

Operating Activities

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

Net cash used in operating activities was $0.5 million for the six months ended June 30, 2021 and $5.7 million for the six months ended June 30, 2020. Changes in operating cash flow activities are described below:

- Operating cash flows increased due to the following:
  - $8.6 million in net operating cash flows generated from the Entertainment Golf venues;
  - $1.3 million in net operating cash flows generated from Traditional Golf operations;
  - $0.8 million reduction in corporate payroll primarily due to reductions in headcount;
  - $0.4 million reduction in interest payments associated with the junior subordinated notes due to a lower coupon rate.

- Operating cash flows decreased due to the following:
  - $3.6 million primarily due to additional general and administrative payments;
  - $2.7 million in payment of annual bonuses in 2021 that were earned in 2020.

Investing Activities

Cash flows provided by investing activities primarily relate to proceeds from the sales of traditional golf properties, and cash flows used in investing activities primarily consist of capital expenditures for the construction and development of Entertainment Golf venues and renovations of existing facilities.

Investing activities used $16.1 million during the six months ended June 30, 2021 and $7.6 million during the six months ended June 30, 2020.

Capital Expenditures. Our capital expenditures for the six months ended June 30, 2021 and 2020 were $16.1 million and $7.7 million, respectively.

We expect our capital expenditures over the next 12 months to range between $50 and $60 million, depending on the Company's ability to obtain additional financing, which includes developing new Drive Shack and Puttery venues and remodeling and maintaining existing facilities.

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.

Financing activities provided $50.3 million during the six months ended June 30, 2021 and used $2.8 million during the six months ended June 30, 2020. The increase was primarily due to $53.9 million of net proceeds from our equity raise that was completed on February 2, 2021.

Off-Balance Sheet Arrangements

There have been no significant changes to our off-balance sheet arrangements as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

CONTRACTUAL OBLIGATIONS

During the six months ended June 30, 2021, we had all of the material contractual obligations referred to in our annual report on Form 10-K for the year ended December 31, 2020.

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 ("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.

Actual results could differ from these estimates and materially impact our Consolidated Financial Statements. There have been no significant changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. See Note 2 in Part I, Item 1 "Financial Statements" for additional information.

Recent Accounting Pronouncements

See Note 2 in Part I, Item 1. "Financial Statements" for information about recent accounting pronouncements.

ITEM 3. 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 on Form 10-K for the fiscal year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is recorded, processed, summarized and reported accurately and completely. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated by reference to Part I, Item 1, Note 15: Commitments and Contingencies-Legal Contingencies.

Item 1A. Risk Factors

There were no material changes to the risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description
2.1	Separation and Distribution Agreement dated April 26, 2013, between New Residential Investment Corp. and the Registrant (incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q, Exhibit 2.1, filed on May 3, 2013).
2.2	Separation and Distribution Agreement dated October 16, 2014, between New Senior Investment Group Inc. and the Registrant (incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q, Exhibit 2.2, filed on November 5, 2014).
3.1	Articles of Restatement (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 3.2, filed on December 8, 2016).
3.2	Articles Supplementary relating to the Series B Preferred Stock (incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q, Exhibit 3.3, filed on May 13, 2003).
3.3	Articles Supplementary relating to the Series C Preferred Stock (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 3.3, filed on October 25, 2005).
3.4	Articles Supplementary relating to the Series D Preferred Stock (incorporated by reference to the Registrant’s Report on Form 8-A, Exhibit 3.1, filed on March 14, 2007).
3.5	Articles Supplementary of Series E Junior Participating Preferred Stock (incorporated by reference to the Registrant’s Annual Report on Form 10-K, Exhibit 3.5, filed on March 2, 2017).
3.6	Amended and Restated By-laws (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.6, filed on May 11, 2020).
4.1	Junior Subordinated Indenture between Newcastle Investment Corp. and The Bank of New York Mellon Trust Company, National Association, dated April 30, 2009 (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 4.1, filed on May 4, 2009).
4.2	Pledge and Security Agreement between Newcastle Investment Corp. and The Bank of New York Mellon Trust Company, National Association, as trustee, dated April 30, 2009 (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 4.2, filed on May 4, 2009).
4.3	Pledge, Security Agreement and Account Control Agreement among Newcastle Investment Corp., NIC TP LLC, as pledgor, and The Bank of New York Mellon Trust Company, National Association, as bank and trustee, dated April 30, 2009 (incorporated by reference to the Registrant’s Current Report on Form 8- K, Exhibit 4.3, filed on May 4, 2009).
4.4	Tax Benefits Preservation Plan, dated as of March 6, 2020, between Drive Shack Inc. and American Stock Transfer & Trust Company, LLC (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 4.1, filed on March 6, 2020).
10.1	Termination and Cooperation Agreement, dated December 21, 2017, by and between Drive Shack Inc. and FIG LLC (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 10.1, filed on December 21, 2017).
10.2	Transition Services Agreement, dated December 21, 2017, by and between Drive Shack Inc. and FIG LLC (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 10.2, filed on December 21, 2017).
10.3*	Letter Agreement, dated December 21, 2017, by and between Drive Shack Inc. and Lawrence A. Goodfield, Jr. (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 10.4, filed on December 21, 2017).
10.4*	Amendment, dated September 28, 2020, to Letter Agreement, dated December 21, 2017, by and between Drive Shack Inc. and Lawrence A. Goodfield, Jr.
10.5*	Letter Agreement, dated November 7, 2018, by and between Drive Shack Inc. and Kenneth A. May (incorporated by reference to the Registrant’s Annual Report on Form 10-K, Exhibit 10.6, filed on March 15, 2019).
10.6*	Letter Agreement, dated November 7, 2018, by and between Drive Shack Inc. and David M. Hammarley (incorporated by reference to the Registrant’s Annual Report on Form 10-K, Exhibit 10.7, filed on March 15, 2019).
10.7*	Letter Agreement, dated September 27, 2020, by and between Drive Shack Inc. and Michael Nichols (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 10.1, filed on September 28, 2020).
10.8*	2012 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of May 7, 2012 (incorporated by reference to the Registrant’s Annual Report on Form 10-K, Exhibit 10.3, filed on February 28, 2013).

Exhibit Number	Exhibit Description
10.9*	Amended and Restated 2014 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of November 3, 2014 (incorporated by reference to the Registrant’s Annual Report on Form 10-K, Exhibit 10.5, filed on March 2, 2015).
10.10*	2015 Newcastle Investment Corp. Nonqualified Option and Incentive Award Plan, adopted as of April 16, 2015 (incorporated by reference to Annex A of the Registrant’s definitive proxy statement for the 2015 annual meeting of stockholders filed on April 17, 2015).
10.11*	2016 Newcastle Investment Corp. Nonqualified Option and Incentive Award Plan (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 10.1, filed on May 19, 2016).
10.12*	2017 Drive Shack Inc. Nonqualified Option and Incentive Award Plan (incorporated by reference to the Registrant's definitive proxy statement for the 2017 annual meeting of stockholders, filed on April 13, 2017).
10.13*	Drive Shack Inc. 2018 Omnibus Incentive Plan (incorporated by reference to Annex A of the Registrant's definitive proxy statement for the 2018 annual meeting of stockholders filed on April 13, 2018).
10.14	Exchange Agreement between Newcastle Investment Corp. and Taberna Preferred Funding IV, Ltd., Taberna Preferred Funding V, Ltd., Taberna Preferred Funding VI, Ltd. And Taberna Preferred Funding VII, Ltd., dated April 30, 2009 (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 10.1, filed on May 4, 2009).
10.15	Exchange Agreement, dated as of January 29, 2010, by and among Newcastle Investment Corp., Taberna Capital Management, LLC, Taberna Preferred Funding IV, Ltd., Taberna Preferred Funding V, Ltd., Taberna Preferred Funding VI, Ltd. And Taberna Preferred Funding VII, Ltd. (incorporated by reference to the Registrant’s Current Report on Form 8-K, Exhibit 10.1, filed on February 1, 2010).
10.16	Form of Indemnification Agreement (incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q, Exhibit 10.19, filed on August 8, 2014).
10.17*	Form of Drive Shack Inc. 2018 Omnibus Incentive Plan Director Restricted Stock Unit Award Agreement (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 10.15, filed on November 9, 2018).
10.18*	Non-Qualified Stock Option Award Agreement dated November 12, 2018, by and between Drive Shack Inc. and Kenneth A. May (incorporated by reference to the Registrant’s Annual Report on Form 10-K, Exhibit 10.18, filed on March 15, 2019).
10.19*	Incentive Stock Option Award Agreement dated November 12, 2018, by and between Drive Shack Inc. and Kenneth A. May (incorporated by reference to the Registrant’s Annual Report on Form 10-K, Exhibit 10.19, filed on March 15, 2019).
10.20*	Non-Qualified Stock Option Award Agreement dated November 12, 2018, by and between Drive Shack Inc. and David M. Hammarley (incorporated by reference to the Registrant’s Annual Report on Form 10-K, Exhibit 10.20, filed on March 15, 2019).
10.21*	Form of Drive Shack Inc. 2018 Omnibus Incentive Plan Executive Non-Qualified Stock Option Award Agreement (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 10.22, filed on May 10, 2019).
10.22*	Form of Drive Shack Inc. 2018 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 10.23, filed on August 6, 2019).
31.1	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Loss; (iv) Consolidated Statements of Changes in Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

DRIVE SHACK INC.

By: /s/ Hana Khouri
Hana Khouri
Chief Executive Officer and President

August 9, 2021

By: /s/ Michael Nichols
Michael Nichols
Chief Financial Officer

August 9, 2021

By: /s/ Lawrence A. Goodfield, Jr.
Lawrence A. Goodfield, Jr.
Chief Accounting Officer and Treasurer

August 9, 2021

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Hana Khouri, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Drive Shack Inc.;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 9, 2021

/s/ Hana Khouri

Hana Khouri
Chief Executive Officer and President

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael Nichols, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Drive Shack Inc.;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 9, 2021

/s/ Michael Nichols
Michael Nichols
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CEO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Drive Shack Inc. (the "Company") for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Hana Khouri as Chief Executive Officer and President of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Hana Khouri
Hana Khouri
Chief Executive Officer and President

August 9, 2021

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION OF CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Drive Shack Inc. (the "Company") for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael Nichols, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Nichols
Michael Nichols
Chief Financial Officer

August 9, 2021

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.