

WATERMARK LODGING TRUST AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Watermark Lodging Trust (the “Company”) to assist the Board with oversight of (1) the integrity of the financial statements of the Company, (2) the compliance by the Company with legal and regulatory requirements and (3) the independence, qualifications and performance of the Company's internal audit function and independent auditors.

Membership

The Audit Committee shall consist of no fewer than three members, comprised solely of independent directors meeting the independence and experience requirements of the New York Stock Exchange, the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission. Each Audit Committee member shall be able to read and understand financial statements and be financially literate, as determined by the Board.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating & Governance Committee of the Board. Committee members may be removed by the Board, with or without cause, on the recommendation of the independent directors. The Committee may designate a member of the Committee to serve as Chair of the Committee.

Duties and Responsibilities

The primary role of the Committee is to oversee the financial reporting and disclosure process. To fulfill this obligation, the Committee relies on: management for the preparation and accuracy of the Company's financial statements; both management and the Company's internal audit function for establishing effective internal controls and procedures to ensure the Company's compliance with accounting standards, financial reporting procedures and applicable laws and regulations; and the Company's independent auditors for an unbiased, diligent audit or review, as applicable, of the Company's financial statements and the effectiveness of the Company's internal controls. The members of the Committee are not employees of the Company and are not responsible for conducting the audit or performing other accounting procedures.

The Audit Committee shall have the authority and responsibility to:

Documents/Reports Review

1. Review and reassess the adequacy of this Charter periodically and submit it to the Board for approval.
2. Review the annual audited financial statements with management and the independent auditors, including major issues regarding accounting and auditing principles and practices, financial statement presentation, the adequacy of internal controls that could significantly affect the Company's financial statements and the Company's disclosures under the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Company's Annual Report on Form 10-K. Recommend to the Board that the audited financial statements be included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission.
3. Review with management and the independent auditors the Quarterly Report on Form 10-Q prior to its filing or prior to the release of earnings. The Chair of the Audit Committee may represent the entire Audit Committee in finalizing this review.

Independent Auditors

4. Appoint and terminate the independent auditors, considering independence and effectiveness, oversee the work done by the independent auditors and approve the fees and other compensation to be paid to the independent auditors. The independent auditors are ultimately accountable to the Audit Committee and the Board, and shall report directly to the Audit Committee. The Audit Committee may consult with management but may not delegate these responsibilities.
5. Review the performance of the independent auditors, including the lead audit partner, at least annually, assure the regular rotation of the lead audit partner and consider rotation of the audit firm itself.
6. Review and discuss with the independent auditors (1) all critical accounting policies and practices to be used in the audit; (2) all alternative treatments of financial information within GAAP that have been discussed with management the ramifications of the use of such alternative treatments and the treatment preferred by the auditors; and (3) other material written communications between the auditors and management and any response of management to such communications. [§10A(k)]
7. Obtain and review, at least annually, a report by the independent auditors describing (a) the independent auditors' internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors or by any inquiry or investigation by governmental or professional authorities, within the last five years, respecting one or more independent audits carried out by the independent auditors and any steps taken to deal with any such issues; and (c) all relationships between the independent auditors and the Company in order to assess the independent auditors' independence.
8. Approve all audit engagement fees and terms.
9. Preapprove all services to be performed by the independent auditors, including any non-audit and tax services. Such preapprovals may be delegated to a subcommittee of one or more Audit Committee members, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting. [§10A(h)]
10. Select, retain, compensate, oversee and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. [§10A(m)(2) and Rule 10A-3(b)(2)]

Financial Reporting Processes

11. In consultation with the independent auditors and those responsible for the internal audit function, review the integrity of the Company's financial reporting processes, both internal and external.
12. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
13. Consider and review, if appropriate, major changes to the Company's audit and accounting principles and practices as suggested by the independent auditors, management, or those responsible for the internal audit function.
14. Review and discuss with management earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies, if any.

Internal Audit Oversight

15. Review with management personnel responsible for the internal audit functions and the independent auditors the adequacy and effectiveness of the Company's internal controls including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's internal controls and any

special audit steps adopted in light of any material control deficiencies, and any fraud involving management or other employees with a significant role in such internal controls and review and discuss with management and the Company's independent auditors the independent auditors' report on the effectiveness of the Company's internal control over financial reporting. [NYSE 303A.07(b)]

16. Review and discuss with management and the internal audit function the risks faced by the Company and the policies, guidelines and process by which management assesses and manages the Company's risks, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. [NYSE 303A.07(b)(iii)(D)]
17. Review the appointment or dismissal, or seek dismissal, of the senior internal audit executive.
18. Review the internal audit charter, audit plan and the functions and performance of the internal audit department (which may include external consultants).
19. Review the regular internal reports to management prepared by those responsible for the internal audit function and management's response.

Process

20. Meet with the independent auditor prior to the audit to review the planning, scope, timing and staffing of the audit.
21. Establish regular and separate systems of reporting to the Audit Committee by each of management, the independent auditors and those responsible for the internal audit function regarding any significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the view of each as to appropriateness of such judgments; and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements. . [NYSE 303A.07(b)]
22. Following completion of the annual audit, review separately with each of management, the independent auditors and those responsible for the internal audit function any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information, and management's response.
23. Review any significant disagreement among management and the independent auditors or those responsible for the internal audit function in connection with the preparation of the financial statements, and management's response.
24. Discuss with the independent auditor (1) the matters required to be discussed in accordance with applicable accounting standards relating to the conduct of the audit; (2) any significant risks identified during the auditors' risk assessment procedures; and (3) when completed, the results, including significant findings of the annual audit. [NYSE 303A.07(b)(iii)(D)]
25. Set clear hiring policies for the Company as to employees or former employees of the independent auditors.
26. Review with the independent auditors, those responsible for the internal audit function and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.)

Ethical and Legal Compliance

27. Review activities, organizational structure and qualifications of those responsible for the internal audit function.
28. Review, with the Company's counsel, legal compliance matters including corporate securities trading policies.

29. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
30. Keep the independent auditors informed of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company; and review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties. [AS 2410 – Related Parties]
31. Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate.
32. Oversee the preparation of and approve the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
33. Evaluate the performance of the Audit Committee annually.
34. Establish procedures for:
 - a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - b. the confidential, anonymous submission by individuals that provide services to the Company of concerns regarding questionable accounting or auditing matters.

Outside Advisors

The Audit Committee shall have the authority to retain in its sole discretion, any legal counsel, accounting professionals or other advisors that the Committee believes to be desirable or appropriate. The Company shall provide appropriate funding, as determined by the Committee, therefor and for ordinary administrative expenses of the Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee shall make regular reports to the Board.

Meetings and Procedure

The Chair of the Committee (or in his or her absence, a member selected by the Committee) shall preside at each meeting of the Committee and set the agenda for each Committee meeting. A majority of the members shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members present (in person or by telephonic conference call) shall represent the valid action of the Committee. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

The Committee shall meet as often as it determines is necessary to fulfill its responsibilities, but not less frequently than quarterly. The Committee shall meet periodically and separately with management, the Company's independent registered public accounting firm and the internal auditor. The Committee shall maintain regular and open communication among the members of the Committee, management, the independent auditor and the internal auditor.