



May 11, 2020

Dear Fellow Shareholders,

In April, we completed the strategic merger of Carey Watermark Investors 1 Incorporated (CWI 1) and Carey Watermark Investors 2 Incorporated (CWI 2) and shares of CWI 2 were issued to former CWI 1 shareholders. Immediately following the merger, CWI 2 was renamed Watermark Lodging Trust, and we completed an internalization transaction with our advisor and subadvisor, whereby we combined the teams made up of Watermark Capital Partners and W. P. Carey professionals that had been primarily dedicated to CWI 1 and CWI 2 to create a single, internally managed company.

The merger created meaningful benefits to all shareholders, especially amid today's economic backdrop. By combining the two highly complementary portfolios, we have increased our scale and operating efficiency. With a more simplified structure and larger balance sheet with greater financial flexibility, we are better positioned to work through this challenging period for the lodging industry.

COVID-19 continues to have a significant impact on the global economy, creating challenges for companies around the world, the hospitality industry being impacted immediately and severely. The numerous government mandated restrictions and lack of demand have created unprecedented declines in occupancy, resulting in property closures at a scale the U.S. hotel industry has never experienced. Currently, we have suspended operations at 17 of our 33 properties and significantly reduced staffing levels at our remaining properties.

We believe the decisive actions taken to enhance our liquidity and reduce our cash expenditures—intended to protect our company, our assets and our organization—will benefit our company and our shareholders when recovery and growth return. These actions include drastically reducing operating costs at our properties, working with our lenders on debt forbearance plans and making the difficult decision to temporarily suspend distributions. Furthermore, we have reduced the cash compensation to our senior management and Board of Directors.

Moving forward, we believe that as government restrictions ease, we will see that the domestic transient leisure segment will be the first segment to recover. We are working with our hotel brand and management partners to create policies and procedures that include the necessary precautions to instill confidence in our guests, focusing on cleanliness standards, hygiene and social distancing. Our planning also includes strategies and new operating models to be employed as business volumes are building. The safety of our guests and property-level associates remains a priority and we look forward to welcoming them back.

I would like to take a moment to thank our Board of Directors for their valuable guidance and our management team for working tirelessly on behalf of our shareholders. I am impressed by and grateful for the work that our team is doing and there is nobody in this industry that I would rather have with me as we work through this unprecedented time in our history.

We would also like to thank you, our shareholders, for your ongoing support. We are experiencing significant challenges that will impact us for some time, but we continue to believe in the resilience of our lodging properties and are committed to working on your behalf to execute on our strategies of providing long-term growth and income.

With best regards,

A handwritten signature in black ink, appearing to read "Michael G. Medzigian", written over a horizontal line.

Michael G. Medzigian
Chairman and Chief Executive Officer