



April 20, 2020

Dear Fellow Shareholders,

We are pleased to announce that the merger of Carey Watermark Investors 1 Incorporated (CWI<sup>®</sup> 1) and Carey Watermark Investors 2 Incorporated (CWI<sup>®</sup> 2) closed on April 13, 2020. In the merger, CWI 1 shareholders received a fixed exchange of 0.9106 shares of CWI 2 Class A common stock for each share of CWI 1 owned and CWI 2 has been renamed to Watermark Lodging Trust, Inc. Following the close of the merger, the combined company completed an internalization transaction with its advisor and subadvisor and is now self-managed as a result.

The merger creates meaningful benefits for all shareholders, even more so amid today's economic backdrop. The rapid acceleration of COVID-19 has now impacted nearly every country and every industry, the hospitality industry being impacted immediately and severely. Travel restrictions have been implemented and some areas have taken unprecedented actions to combat COVID-19, including emergency declarations by state and city governments, forcing hotel closures in an effort to protect tourists and local residents. At this time, shelter-in-place and stay-at-home restrictions are now in place for 43 states.

Urban and gateway markets were among the first to be impacted; however, significant declines are now being felt throughout the country, including the cities and resort areas in which we operate. The U.S. hotel occupancy has dropped from 66% in 2019 to 21% as of last week—these are occupancy levels the hotel industry has never seen before.

As a result of numerous government mandates and reduced demand, we have suspended all operations at 16 of our 33 combined portfolio properties. We are vigilant for the safety of our guests and our hotel employees and have been working with our management companies to drastically reduce staffing levels at the remainder of our hotels. The current staffing levels in place have a similar financial impact as if the hotels were closed. Just as government restrictions have changed rapidly, our response to the situation has been swift and I anticipate additional full closures within our portfolio.

In an effort to preserve cash, significant cost reduction and liquidity preservation initiatives have been executed at multiple levels throughout our portfolio, consistent with what we are seeing amongst other lodging owners. Our team has been working closely with our management companies and brand partners to dramatically reduce operating costs at our properties. These cost reductions include closing restaurants, spas and other outlets and freezing almost all capital spending. We are also working with our lenders on debt forbearance plans. These plans include but are not limited to covenant waivers, interest accruals and amortization deferrals, escrow funding suspensions and other mechanisms to preserve liquidity. We may also undertake asset sales or other initiatives to generate liquidity.

At the corporate level, we announced in March that we made the difficult decision to temporarily suspend distributions. We know this has a direct impact on our shareholders, and this decision was not taken lightly. We remain committed to creating value for our shareholders over the long-term and believe it is prudent to preserve our cash during this unprecedented time. In addition to other cost saving measures at the corporate level, in the current quarter, our senior management team will take salary reductions of up to 50% and the board of directors have elected to waive their cash compensation. We will continue to monitor the economic outlook and financial performance of the portfolio and look forward to resuming quarterly distributions at a time and level that is appropriate.

In addition, we have been working closely with the American Hotel and Lodging Association (AHLA) where I serve on the board and with lawmakers on efforts to help the employees of our hotels and the recovery of the lodging industry. As you may know, Congress recently passed and the President signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The AHLA was instrumental in working with lawmakers to ensure the act included assistance for the lodging industry. While the CARES Act is not perfect, our efforts with Congress did result in features that will benefit our industry. The \$2.2 trillion economic stimulus package includes:

- \$349 billion in Small Business Administration (SBA) loans to pay employees, service debt, and cover utilities
- Revision of SBA definitions to include every hotel up to 500 employees
- Expanded unemployment benefits
- Tax cuts & incentives for businesses; and
- \$500 billion in low interest business loans

We have applied for the SBA loans under the Paycheck Protection Program for our eligible assets and continue to work with the AHLA to secure additional funding for the program. The stimulus package will not only help the lodging industry but will also help the U.S. economy to recover from COVID-19's devastation.

In terms of the recovery of the lodging industry, the impacts of COVID-19 have been very different from those of prior recessions or economic downturns and we believe the corresponding recovery will be different as well. While we are experiencing an unprecedented period in our history, we believe that in time, people will get out and travel again and there will be pent up demand as people look to escape the confines of their homes. For this reason, we see the domestic transient leisure segment as potentially the first segment to recover. The return of group meetings may take longer as cities and states may continue to place restrictions on large gatherings. Business will begin spending again but this will take time and it will happen sooner for some places than others. It will also take time for the international traveler to return. This virus and the crisis that has resulted has been damaging to our industry and to the broader economy. I fully expect that the broader economic impact will be significant, and I also expect that our high-quality portfolio will benefit when growth does return. The steps that we are taking are intended to protect our company, our assets and our organization, to help lead our industry through the crisis, and to benefit our company and our shareholders when recovery and growth return.

As a combined company with a more simplified structure, we have a larger balance sheet with greater financial flexibility and are better positioned to improve value as we work through this challenging period for the lodging industry. We have taken decisive actions to enhance our liquidity and reduce our cash expenditures.

Our thoughts are with the employees at our hotels, our shareholders and their families who have all been greatly impacted by the devastating effect of COVID-19. We expect the furloughs of our hotel employees will be temporary and we look forward to welcoming them back as soon as practicable. I personally want to thank you, our shareholders, for your ongoing support. We are experiencing a crisis that will impact us for some time, but we remain steadfast in our belief that the assets that comprise our portfolio will be resilient and we will continue to work on your behalf to execute on our strategy of providing long-term growth and income.

With best regards,



Michael G. Medzigian  
Chief Executive Officer