RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Supertel reports its financial results in accordance with generally accepted accounting principles (GAAP). In the course of presentations, management may from time to time disclose certain non-GAAP performance measures that management believes may provide users of this financial information additional meaningful comparisons between current results and results in prior operating periods. The following tables provide definitions of non-GAAP measures and their reconciliation to the most closely related GAAP measure, in accordance with the SEC's Regulation G. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, Supertel's reported GAAP results.

Funds From Operations

FFO is a non-GAAP financial measure. We consider FFO to be a market accepted measure of an equity REIT's operating performance, which is necessary, along with net earnings (loss), for an understanding of our operating results. FFO, as defined under the National Association of Real Estate Investment Trusts (NAREIT) standards, consists of net income computed in accordance with GAAP, excluding gains (or losses) from sales of real estate assets, plus depreciation and amortization of real estate assets. Additionally, in October and November 2011, NAREIT issued guidance reaffirming its view that impairment write-downs of depreciable real estate should be excluded from the computation of FFO. We believe our method of calculating FFO complies with the NAREIT definition. FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. All REITs do not calculate FFO in the same manner; therefore, our calculation may not be the same as the calculation of FFO for similar REITs.

We use FFO as a performance measure to facilitate a periodic evaluation of our operating results relative to those of our peers, who, like us, are typically members of NAREIT. We consider FFO a meaningful additional measure of performance for an equity REIT because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assume that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that FFO provides a meaningful indication of our performance.

	Three months ended December 31,		Twelve months ended December 31,	
	2011	2010	2011	2010
Weighted average shares outstanding for:				
calculation of FFO per share - basic and diluted	23,023	22,918	22,978	22,556
Reconciliation of net loss to FFO				
Net loss available to common shareholders	$ (8,592)	$ (4,176)	$ (18,919)	$ (12,059)
Depreciation and amortization	2,313	2,748	9,996	11,708
Net (gains) losses on disposition of assets	9	(763)	(1,452)	(1,276)
Impairment	6,485	2,549	14,308	8,198
FFO	$ 215	$ 358	$ 3,933	$ 6,571
FFO per share - basic and diluted	$ 0.01	$ 0.02	$ 0.17	$ 0.29

Earnings Before Interest, Taxes, Depreciation and Amortization, Noncontrolling Interests and Preferred Stock Dividends

Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. We calculate Adjusted EBITDA by adding back to net earnings (loss) available to common shareholders certain non-operating expenses and non-cash charges which are based on historical cost accounting and we believe may be of limited significance in evaluating current performance. We believe these adjustments can help eliminate the accounting effects of depreciation and amortization and financing decisions and facilitate comparisons of core operating profitability between periods, even though Adjusted EBITDA also does not represent an amount that accrues directly to common shareholders. In calculating Adjusted EBITDA, we also add back preferred stock dividends and noncontrolling interests, which are cash charges.

Adjusted EBITDA doesn't represent cash generated from operating activities determined by GAAP and should not be considered as an alternative to net income, cash flow from operations or any other operating performance measure prescribed by GAAP. Adjusted EBITDA is not a measure of our liquidity, nor is Adjusted EBITDA indicative of funds available to fund our cash needs, including our ability to make cash distributions. Neither does the measurement reflect cash expenditures for long-term assets and other items that have been and will be incurred. Adjusted EBITDA may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions, and other commitments and uncertainties. To compensate for this, management considers the impact of these excluded items to the extent they are material to operating decisions or the evaluation of our operating performance. Adjusted EBITDA, as presented, may not be comparable to similarly titled measures of other companies.

	Three months ended December 31,		Twelve months ended December 31,	
	2011	2010	2011	2010
RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA				
Net loss attributable to common shareholders	$ (8,592)	$ (4,176)	$ (18,919)	$ (12,059)
Interest expense, including discontinued operations	2,975	3,083	12,402	12,224
Income tax benefit, including discontinued operations	(665)	(556)	(1,904)	(1,757)
Depreciation and amortization, including discontinued operations	2,313	2,748	9,996	11,708
EBITDA	(3,969)	1,099	1,575	10,116
Noncontrolling interest	(26)	(12)	(32)	(17)
Preferred stock dividend	368	369	1,474	1,474
Adjusted EBITDA	$ (3,627)	$ 1,456	$ 3,017	$ 11,573

Net Operating Income

NOI is one of the performance indicators the Company uses to assess and measure operating results. The Company believes that NOI is a useful additional measure of operating performance of its hotels because it provides a measure of core operations that is unaffected by depreciation, amortization, financing and general and administrative expense. NOI is also an important performance measure used to determine the amount of the management fees paid by the Company to the operators of its hotels.

NOI is a non-GAAP measure, and is not necessarily indicative of available earnings and should not be considered an alternative to Earnings Before Net Gain (Loss) on Dispositions of Assets, Other Income, Interest Expense and Income Taxes. NOI is reconciled to Earnings Before Net Gain (Loss) on Dispositions of Assets, Other Income, Interest Expense and Income Taxes as follows (in thousands):

Reconciliation of Earnings before net loss on dispositions of assets, other income, interest expense, and income taxes to NOI:

	Year ended December 31,	
	2011	2010
Earnings Before Net Loss on Dispositions of Assets, Other Income, Interest Expense, and Income Taxes	$ 4,955	$ 4,882
Add back:		
General And Administrative	4,008	3,443
Depreciation and Amortization	8,825	9,970
Hotel Operating Revenue - discontinued	22,080	27,080
Hotel Operating Expenses - discontinued	(19,504)	(23,488)
Other Expenses *	11,025	11,971
NOI	$ 31,389	$ 33,858

*Other Expenses include both continuing and discontinued operations for Management Fees, Bonus Wages, Insurance, Real Estate and Personal property taxes, and miscellaneous expenses.

Property Operating Income

POI is a non-GAAP financial measure, and should not be considered as an alternative to loss from continuing operations or loss from discontinued operations, net of tax. The Company believes that the presentation of hotel property operating results (POI) is helpful to investors, and represents a more useful description of its core operations, as it better communicates the comparability of its hotels' operating results for all of the company's hotel properties.

POI from continuing operations is reconciled to net loss as follows (in thousands):

Reconciliation of net loss to POI - continuing operations:	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2011	**2010**	**2011**	**2010**
Net loss	$ (8,250)	$ (3,819)	$ (17,477)	$ (10,602)
Depreciation and amortization, including discontinued operations	2,313	2,748	9,996	11,708
Net gain on disposition of assets, including discontinued operations	9	(763)	(1,452)	(1,276)
Other income	-	(30)	(107)	(122)
Interest expense, including discontinued operations	2,975	3,083	12,402	12,224
General and administrative expense	997	883	4,058	3,514
Impairment losses	6,485	2,549	14,308	8,198
Termination cost	-	-	540	-
Income tax benefit, including discontinued operations	(665)	(556)	(1,904)	(1,757)
Room rentals and other hotel services - discontinued operations	(4,305)	(5,615)	(22,080)	(27,080)
Hotel and property operations expense - discontinued operations	4,184	5,193	19,504	23,488
POI - continuing operations	$ 3,743	$ 3,673	$ 17,788	$ 18,295

POI from discontinued operations is reconciled to loss from discontinued operations, net of tax, as follows (in thousands):

Reconciliation of loss from discontinued operations to POI - discontinued operations:	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2011	**2010**	**2011**	**2010**
Loss from discontinued operations	$(4,529)	$(2,277)	$(6,536)	$(4,971)
Depreciation and amortization from discontinued operations	132	356	1,171	1,738
Net gain on disposition of assets from discontinued operations	8	(774)	(323)	(1,342)
Interest expense from discontinued operations	798	782	3,717	3,330
General and administrative expense from discontinued operations	-	22	50	71
Impairment losses from discontinued operations	4,089	2,549	5,763	6,051
Income tax benefit from discontinued operations	(377)	(236)	(1,266)	(1,285)
POI--discontinued operations	$ 121	$ 422	$ 2,576	$ 3,592