

GETTY REALTY CORP /MD/  
Form 10-K  
March 15, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
**COMMISSION FILE NUMBER 001-13777**

**GETTY REALTY CORP.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
  
incorporation or organization)

**11-3412575**  
(I.R.S. employer  
  
identification no.)

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125 Jericho Turnpike, Suite 103, Jericho, New York  
(Address of principal executive offices)

11753  
(Zip Code)

Registrant's telephone number, including area code: (516) 478-5400

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

| TITLE OF EACH CLASS            | NAME OF EACH EXCHANGE ON WHICH REGISTERED |
|--------------------------------|-------------------------------------------|
| Common Stock, \$0.01 par value | New York Stock Exchange                   |

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

None

(Title of Class)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

The aggregate market value of common stock held by non-affiliates (33,394,395 shares of common stock) of the Company was \$648,636,001 as of June 30, 2011.

The registrant had outstanding 33,394,395 shares of common stock as of March 15, 2012.

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**DOCUMENTS INCORPORATED BY REFERENCE**

**DOCUMENT**

Selected Portions of Definitive Proxy Statement for the 2011 Annual Meeting of Stockholders (the Proxy Statement ), which will be filed by the registrant on or prior to 120 days following the end of the registrant's year ended December 31, 2011 pursuant to Regulation 14A.

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### **Cautionary Note Regarding Forward-Looking Statements**

Certain statements in this Annual Report on Form 10-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When we use the words believes, expects, plans, projects, estimates, anticipates, predicts and other expressions, we intend to identify forward-looking statements. (All capitalized and undefined terms used in this section shall have the same meanings hereafter defined below in this Annual Report on Form 10-K.)

Examples of forward-looking statements include, but are not limited to, statements regarding: our largest tenant, Marketing included in Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations General Marketing and the Master Lease and elsewhere in this Annual Report on Form 10-K; our expectations about Marketing meeting its pre-petition and post-petition obligations under the Master Lease or any related court orders; our ability to reposition our properties that were subject to the Master Lease; our expectations regarding entering into short and long-term arrangements with respect to the properties that were subject to the Master Lease; our beliefs regarding the amount of revenue we expect to realize from the properties that were subject to the Master Lease; our expectations regarding incurring costs associated with repositioning the properties that were subject to the Master Lease; our expectations about Marketing's accrued obligations to us; our expectations regarding incurring costs associated with the Marketing bankruptcy proceeding and the process of taking control of our properties, including, but not limited to, the Property Expenditures and the Capital Improvements; our estimates regarding any eviction proceedings we may have to initiate to take control of our properties; the impact of the developments related to Marketing on our business and ability to pay dividends or our stock price; the reasonableness of and assumptions regarding our accounting estimates, judgments, assumptions and beliefs; our exposure and liability due to and our estimates and assumptions regarding our environmental liabilities and remediation costs; our estimates and assumptions regarding the Marketing Environmental Liabilities and other environmental remediation costs; our belief that our accruals for environmental and litigation matters were appropriate; compliance with federal, state and local provisions enacted or adopted pertaining to environmental matters; the probable outcome of litigation or regulatory actions and its impact on us; our expected recoveries from underground storage tank funds; our expectations regarding the indemnification obligations of the Company and others; future acquisitions and financing opportunities and their impact on our financial performance; the adequacy of our current and anticipated cash flows from operations, borrowings under our Amended Credit Agreement and available cash and cash equivalents; our expectation as to our continued compliance with the financial covenants in our Amended Credit Agreement and Amended Term Loan Agreement; and our ability to maintain our federal tax status as a real estate investment trust ( REIT ).

These forward-looking statements are based on our current beliefs and assumptions and information currently available to us, and involve known and unknown risks (including the risks described below in Item 1A. Risk Factors and in Marketing and the Master Lease herein, and other risks that we describe from time to time in this and our other filings with the SEC), uncertainties and other factors which may cause our actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

These risks include, but are not limited to risks associated with: Marketing filing for bankruptcy protection; repositioning our properties that were subject to the Master Lease; our estimates and assumptions regarding expenses and accruals relating to Marketing's bankruptcy, the process of taking control of our properties subject to the Master Lease and repositioning such properties; the possibility that Marketing may seek to liquidate its business; the performance of our tenants of their lease obligations, renewal of existing leases and re-letting or selling our vacant properties and properties being repositioned that were previously subject to the Master Lease; our ability to obtain favorable terms on any properties that we sell; the Bankruptcy Court approving the Stipulation and Marketing complying with the terms of the Stipulations and any related court order; the uncertainty of our estimates, judgments and assumptions associated with our accounting policies and methods; our dependence on external sources of capital; our business operations generating sufficient cash for distributions or debt service; potential future acquisitions; our ability to acquire new properties; owning and leasing real estate generally; owning and leasing real estate generally; substantially all of our tenants depending on the same industry for their revenues; property taxes; costs of completing environmental remediation and of compliance with environmental legislation and regulations; potential exposure related to pending lawsuits and claims; owning real estate primarily concentrated in the Northeast and Mid-Atlantic regions of the United States; counterparty credit risk; expenses not covered by insurance; the impact of our electing to be treated as a REIT under the federal income tax laws, including subsequent failure to qualify as a REIT; changes in interest rates and our ability to manage or mitigate this risk effectively; our dividend policy and ability to pay dividends; changes in market conditions; Maryland law discouraging a third-party takeover; adverse effect of inflation; the loss of a member or members of our management team; and terrorist attacks and other acts of violence and war.

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As a result of these and other factors, we may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect our business, financial condition, operating results, ability to pay dividends or stock price. An investment in our stock involves various risks, including those mentioned above and elsewhere in this report and those that are described from time to time in our other filings with the SEC.

You should not place undue reliance on forward-looking statements, which reflect our view only as of the date hereof. We undertake no obligation to publicly release revisions to these forward-looking statements that reflect future events or circumstances or reflect the occurrence of unanticipated events.

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**PART I**

**Item 1. Business**

**Company Profile**

Getty Realty Corp., a Maryland corporation, is the leading publicly-traded real estate investment trust ( REIT ) in the United States specializing in the ownership, leasing and financing of retail motor fuel and convenience store properties and petroleum distribution terminals. Our properties are located in 21 states across the United States with concentrations in the Northeast and the Mid-Atlantic regions. Our properties are operated under a variety of brands including Getty, BP, Exxon, Mobil, Shell, Chevron, Valero, Fina and Aloha. Nearly all of our properties are leased or sublet to distributors and retailers who are responsible for the operations conducted at these properties including the payment of taxes, maintenance, repair, insurance and other operating expenses. We own the Getty® trademark and trade name in connection with our real estate and the petroleum marketing business in the United States.

**Developments Regarding Marketing**

As of December 31, 2011, Getty Petroleum Marketing Inc. ( Marketing ) was in possession of 797 properties comprising a unitary premises pursuant to a master lease (the Master Lease ) representing approximately 69% of our 1,149 owned and leased properties. Marketing does not itself directly operate the retail motor fuel and convenience store properties subject to the Master Lease. Rather, Marketing generally subleases our retail properties to subtenants that either operate their gas stations, convenience stores, automotive repair services or other businesses at our properties or are petroleum distributors who operate our properties directly or sublet our properties to the operators. Following is a list of important developments regarding Marketing:

Following a pattern of late and nonpayment of rent, on November 28, 2011 we sent Marketing a notice terminating the Master Lease on its terms effective December 12, 2011. On December 5, 2011, Marketing filed for protection under Chapter 11 of the Federal Bankruptcy Code.

Based on information available to us as of the date of this Annual Report on Form 10-K, we estimate Marketing's accrued obligations to us as of the date Marketing made its bankruptcy filing to be approximately \$8.8 million. This aggregate amount consists primarily of unpaid fixed rent and real estate taxes (including real estate taxes that we began paying in the first quarter of 2012, which taxes Marketing historically paid directly) and to a lesser extent other property-related expenses which are Marketing's responsibility pursuant to the Master Lease. These unpaid obligations are considered pre-petition claims and subject to discharge by Marketing in its bankruptcy proceedings. We do not expect to collect on any of these pre-petition claims and we have fully reserved the amount due from Marketing for such claims.

As a result of the developments described above, we concluded that it is probable that we will not receive from Marketing the entire amount of the contractual lease payments owed to us under the Master Lease. Accordingly, during the quarter ended December 31, 2011, we recorded a non-cash allowance for deferred rental revenue of \$8.7 million (in addition to the \$11.0 million allowance recorded during the quarter ended September 30, 2011) fully reserving for the deferred rent receivable relating to the Master Lease.

Since we no longer believe that Marketing will be able to meet its environmental remediation obligations and its obligations to remove underground storage tanks at the end of their useful life or earlier if circumstances warrant, we have accrued \$47.9 million as the aggregate Marketing Environmental Liabilities. In conjunction with recording the Marketing Environmental Liabilities, we increased the carrying value for each of the related properties by the amount of the related estimated environmental obligation and simultaneously recorded impairment charges aggregating \$17.0 million where the increased carrying value of the property exceeded its estimated fair value.

On March 7, 2012, we entered into a stipulation with Marketing and the Official Committee of Unsecured Creditors in the Bankruptcy proceedings (the Creditors Committee ), which is subject to the approval of the Bankruptcy Court (the Stipulation ). Our

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decision to enter into the Stipulation was based on our belief that doing so avoided possible costly litigation, improved our ability to capture cash flow relating to the properties subject to the Master Lease, minimized disruption to the operations of our properties that could occur from cessation of gas sales by the operators thereof, and

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permitted us to take greater control of the process for orderly recapture and re-letting or other re-disposition of our properties. The Stipulation has been filed with the Bankruptcy Court with notice that a hearing will be held on April 2, 2012 to consider its approval by the Bankruptcy Court. No assurance can be given that the Stipulation will be approved by the Bankruptcy Court.

As of March 8, 2012, we have received a total of \$10.8 million in post-petition payments from Marketing. Of the post-petition payments received to date, \$5.7 million has been applied to outstanding receivables accrued for income recognized in the post-petition period through December 31, 2011. Accordingly, only \$5.1 million of such payments received to date are available to be applied to Marketing's contractual rent and real estate tax obligations to us of approximately \$17.7 million attributable to the first quarter of 2012. As is the case with respect to the pre-petition claims, we do not expect to collect substantially all of the \$12.6 million unpaid amounts attributable to the first quarter of 2012 from Marketing.

Based on a cash flow forecast prepared by Marketing and reviewed by the financial advisors to the Creditors Committee we do not anticipate we will receive amounts materially in excess of the \$1.0 million scheduled for payment on or before April 1, 2012 under the terms of the stipulation.

The deadline for Marketing to assume or reject the Master Lease is April 30, 2012. Upon rejection of the Master Lease, we will take possession of all properties subject to the Master Lease free and clear of all rights of Marketing, and free and clear of all tenancies and occupancies of subtenants (subject to whatever rights they may have, if any, under applicable law).

Immediately after re-taking possession of our properties, it is possible that we might reposition groups of properties in the short-term by: (a) entering into temporary short-term arrangements with the existing occupants of the properties or operators of groups of properties, allowing them to continue to use and occupy the premises as long as they continue to pay us appropriate compensation and abide by other appropriate covenants, (b) entering into fuel supply agreements with third party fuel suppliers, (c) entering into long-term leases with distributors engaged in the sale of gasoline and other motor products, (d) disposing of some properties by sale, or (e) continuing an existing sub-lease on a direct basis between such former Marketing subtenant and us, whether on substantially the same terms that had previously been in place between such subtenant and Marketing or on modified terms. We intend to remove and reposition our properties from the Master Lease as promptly as practicable.

We believe the likely outcome of the repositioning process is to create multiple tenancies with respect to the portfolio that was leased to Marketing under the Master Lease. It is our long-term intention to enter into intermediate and long-term triple-net leases for groups of these properties with tenants who are actively engaged in the business of retail petroleum marketing.

We are continuing our efforts to sell approximately 160 properties that have previously had their underground storage tanks removed and nine petroleum distribution terminals although alternatively we may seek to re-let some of these properties and terminals. While we have dedicated considerable effort designed to increase sales and leasing activity, we cannot predict the timing or the terms of any such dispositions.

Following completion of the repositioning process, we expect the revenue realized from the properties that were subject to the Master Lease to be less than the contractual rent received under the Master Lease. In addition, we expect to incur Property Expenditures and Capital Expenditures (as defined below) during and after the repositioning process.

(For additional information regarding the historical portion of our financial results that are attributable to Marketing, see note 12 in Item 1. Financial Statements Notes to Consolidated Financial Statements. ) (For information regarding factors that could adversely affect us relating to our lessees, including Marketing, see Item 1A. Risk Factors which appears in this Annual Report on Form 10-K for the year ended December 31, 2011).

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### **The History of Our Company**

Our founders started the business in 1955 with the ownership of one gasoline service station in New York City and combined real estate ownership, leasing and management with service station operation and petroleum distribution. We held our initial public offering in 1971 under the name Power Test Corp. We acquired, from Texaco in 1985, the petroleum distribution and marketing assets of Getty Oil Company in the Northeast United States along with the Getty® name and trademark in connection with our real estate and the petroleum marketing business in the United States. We became one of the leading independent owner/operators of petroleum marketing assets in the country, serving retail and wholesale customers through a distribution and marketing network of Getty® and other branded retail motor fuel and convenience store properties and petroleum distribution terminals.

Marketing was formed to facilitate the spin-off of our petroleum marketing business to our shareholders which was completed in 1997. At that time, our shareholders received a tax-free dividend of one share of common stock of Marketing for each share of our common stock. Marketing was acquired by a U.S. subsidiary of OAO Lukoil ( Lukoil ) in December 2000. In connection with Lukoil's acquisition of Marketing, we renegotiated our long-term unitary triple-net lease (the Master Lease ) with Marketing. On February 28, 2011, Lukoil transferred its ownership interest in Marketing to Cambridge Petroleum Holding Inc. ( Cambridge ). On December 5, 2011, Marketing filed for protection under Chapter 11 of the Federal Bankruptcy Code. On March 7, 2012 we entered into the Stipulation (described in more detail below) with Marketing and the Creditors Committee seeking an order from the U.S. Bankruptcy Court and as a result, we expect we will retake possession of our properties commencing in the second quarter of 2012.

Since May 2003, we have acquired approximately 395 properties in various states in transactions valued at approximately \$518 million. These acquisitions have ranged in size from a portfolio comprised of 18 properties with an aggregate value of approximately \$13 million up to a portfolio comprised of 59 properties with an aggregate value of approximately \$111 million. In addition, from time to time we acquire individual properties when opportunities arise including through the exercise of purchase options for leased locations or in conjunction with tax-free exchanges.

### **Company Operations**

The operators of our properties are primarily distributors and retailers engaged in the sale of gasoline and other motor fuel products, convenience store products, and automotive repair services. Over the past decade, these lines of business have matured into a single industry as operators have increased their emphasis on co-branded locations with multiple uses. The combination of petroleum product sales with other offerings, particularly convenience store products, has helped provide one-stop shopping for consumers, and we believe has represented an important driver behind the industry's growth.

As of December 31, 2011, we owned 996 properties and leased 153 properties. Nine of the properties we own are petroleum distribution terminals. As of December 31, 2011, approximately 69% of our 1,149 owned and leased properties were subject to the Master Lease with Marketing, which we expect to commence retaking possession of in the second quarter of 2012. For additional information regarding Marketing and the Master Lease, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations General Marketing and the Master Lease ) Our typical property is used as a retail motor fuel outlet and convenience store, and is located on between one-half and three quarters of an acre of land in a metropolitan area. The properties that we have acquired since 2007 are generally located on larger parcels of land. We believe our network of retail motor fuel and convenience store properties and terminal properties across the Northeast and the Mid-Atlantic regions of the United States is unique and that comparable networks of properties are not readily available for purchase or lease from other owners or landlords. Many of our properties are located at highly trafficked urban intersections or conveniently close to highway entrance or exit ramps. Nearly all of our properties are leased or sublet to distributors and retailers engaged in the sale of gasoline and other motor fuel products, convenience store products and automotive repair services. These tenants are responsible for the operations conducted at these properties and for the payment of taxes, maintenance, repair, insurance and other operating expenses related to our properties. Our tenants' financial results are largely dependent on the performance of the petroleum marketing industry, which is highly competitive and subject to volatility. In those instances where we determine that the best use for a property is no longer as a retail motor fuel outlet, we will seek an alternative tenant or buyer for the property. We lease or sublet approximately 20 of our properties for such uses as fast food restaurants, automobile sales and other retail purposes.

We are self-administered and self-managed by our management team, which has extensive experience in owning, leasing and managing retail motor fuel and convenience store properties. We have invested, and will continue to invest, in real estate and real estate related investments, such as mortgage loans, when appropriate opportunities arise.

The sector of the real estate industry in which we operate is highly competitive, and we compete for tenants with a large number of property owners. Our principal means of competition are rents charged in relation to the income producing potential of the location. In addition, we expect other major real estate investors with significant capital will continue to compete with us for attractive acquisition opportunities. These

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competitors include petroleum manufacturing, distributing and marketing companies, other REITs, investment funds and private institutional investors. We generally have long-term leases with our tenants. Generally, we seek leases with our

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tenants that have an initial term of 15 years and include provisions for rental increases during the term of the lease. As of December 31, 2011, our average lease term (exclusive of the properties subject to the Master Lease with Marketing), weighted by the number of underlying properties, was in excess of 11 years excluding renewal options. Retail motor fuel properties are an integral component of the transportation infrastructure. Stability within the retail motor fuel and convenience store industry is driven by highly inelastic demand for petroleum products and day-to-day consumer goods and fast foods, which supports our tenants.

Total revenues included in continuing operations for the year ended December 31, 2011 were \$112.9 million of which revenue contractually due or received from Marketing aggregated approximately \$62.1 million. Our financial results are materially dependent upon rental revenue net of related expenses derived from the properties subject to the Master Lease and the ability of our tenants to meet their rental, environmental and other obligations under their leases with us. Substantially all of our tenants' financial results depend on the sale of refined petroleum products and rental income from their subtenants. Subtenants either operate their gas stations, convenience stores, automotive repair services or other businesses at our properties or are petroleum distributors who operate our properties directly or sublet our properties to the operators. Since a substantial portion of our revenues are derived from the properties subject to the Master Lease, any factor that materially adversely affects the rental revenue we derive from or the expenses we assume related to the properties subject to the Master Lease may have a material adverse effect on our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or stock price. (For information regarding factors that could adversely affect us relating to our lessees, including our primary tenant, Marketing, see Item 1A. Risk Factors.) For additional information regarding the historical portion of our financial results that are attributable to the Master Lease, see Note 12 in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements. For additional information regarding Marketing and the Master Lease, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations General Marketing and the Master Lease).

We elected to be treated as a REIT under the federal income tax laws beginning January 1, 2001. A REIT is a corporation, or a business trust that would otherwise be taxed as a corporation, which meets certain requirements of the Internal Revenue Code. The Internal Revenue Code permits a qualifying REIT to deduct dividends paid, thereby effectively eliminating corporate level federal income tax and making the REIT a pass-through vehicle for federal income tax purposes. To meet the applicable requirements of the Internal Revenue Code, a REIT must, among other things, invest substantially all of its assets in interests in real estate (including mortgages and other REITs) or cash and government securities, derive most of its income from rents from real property or interest on loans secured by mortgages on real property, and distribute to shareholders annually a substantial portion of its otherwise taxable income. As a REIT, we are required to distribute at least 90% of our taxable income to our shareholders each year and would be subject to corporate level federal income taxes on any taxable income that is not distributed.

## **Acquisition Strategy and Activity**

As part of our overall growth strategy, we regularly review acquisition and financing opportunities to acquire additional properties, and we expect to continue to pursue acquisitions that we believe will benefit our financial performance. We review such opportunities on an ongoing basis and may have one or more potential acquisitions under consideration at any point in time, which may be at varying stages of the negotiation and due diligence review process. In 2012, we expect capital available to us for acquisitions to be limited to proceeds generated from disposition of properties until the repositioning of properties subject to the Master Lease is completed. To the extent that our current sources of liquidity are not sufficient to fund such acquisitions, we will require other sources of capital, which may or may not be available on favorable terms or at all. Since May 2003, we have acquired approximately 395 properties in various states in transactions valued at approximately \$518.0 million. These acquisitions have ranged in size from a portfolio comprised of 18 properties with an aggregate value of approximately \$13 million up to a portfolio comprised of 59 properties with an aggregate value of approximately \$111.6 million. In addition, from time to time we acquire individual properties when opportunities arise including through the exercise of purchase options for leased locations or in conjunction with tax-free exchanges.

In March 2011, we acquired fee or leasehold title to 66 Shell branded gasoline station and convenience store properties in a sale/leaseback transaction with Nouria Energy Ventures I, LLC (Nouria), a subsidiary of Nouria Energy Group. Our total investment in the transaction was \$87.0 million, which was financed entirely with borrowings under our Credit Agreement. The properties were acquired or financed in a simultaneous transaction among Motiva Enterprises, LLC (Shell), Nouria and us whereby Nouria acquired a portfolio of 66 gasoline station and convenience stores from Shell and simultaneously completed a sale/leaseback of the acquired properties with us. The lease between us, as lessor, and Nouria, as lessee, governing the properties is a unitary triple-net lease agreement (the Nouria Lease), with an initial term of 20 years, and options for up to two successive renewal terms of ten years each and one five year renewal. The Nouria Lease requires Nouria to pay a fixed annual rent for the properties (the Rent), plus an amount equal to all rent due to third-party landlords pursuant to the terms of third-party leases. The Rent is scheduled to increase on each anniversary of the date of the Nouria Lease. As a triple-net lessee Nouria is required to pay all amounts pertaining to the properties subject to the Nouria Lease, including environmental expenses, taxes, assessments, licenses and permit fees, charges for public utilities and all governmental charges.



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In January 2011, we acquired fee or leasehold title to 59 Mobil-branded gasoline station and convenience store properties and also took a security interest in six other Mobil-branded gasoline stations and convenience store properties in a sale/leaseback and loan transaction with CPD NY Energy Corp. ( CPD NY ), a subsidiary of Chestnut Petroleum Dist. Inc. Our total investment in the transaction was \$111.6 million, which was financed entirely with borrowings under our Credit Agreement. Of our aggregate investment, \$93.2 million was made by way of sale/leaseback and \$18.4 million was made by way of a secured, self-amortizing loan having a 10-year term (the CPD Loan ). The properties were acquired or financed in a simultaneous transaction among ExxonMobil, CPD NY and us whereby CPD NY acquired a portfolio of 65 gasoline station and convenience stores from ExxonMobil and simultaneously completed a sale/leaseback of 59 of the acquired properties with us. The lease between us, as lessor, and CPD NY, as lessee, governing the properties is a unitary triple-net lease agreement (the CPD Lease ), with an initial term of 15 years, and options for up to three successive renewal terms of ten years each. The CPD Lease requires CPD NY to pay a fixed annual rent for the properties (the Rent ), plus an amount equal to all rent due to third-party landlords pursuant to the terms of third-party leases. The Rent is scheduled to increase on the third anniversary of the date of the CPD Lease and on every third anniversary thereafter. As a triple-net lessee, CPD NY is required to pay all amounts pertaining to the properties subject to the CPD Lease, including environmental expenses, taxes, assessments, licenses and permit fees, charges for public utilities and all governmental charges.

In September 2009, we acquired the real estate assets of 36 Exxon-branded gasoline station and convenience store properties for \$49.0 million in a triple-net sale/leaseback transaction with White Oak Petroleum LLC ( White Oak ). This transaction was financed with \$24.5 million of borrowings under our Credit Agreement and \$24.5 million of indebtedness under a new term loan agreement with TD Bank, N.A. (the Term Loan Agreement or Term Loan ). The real estate assets were acquired in a simultaneous transaction among ExxonMobil, White Oak and us, whereby White Oak acquired the real estate assets and the related businesses from ExxonMobil and simultaneously completed a sale/leaseback of the real estate assets of all 36 properties with us. We entered into a unitary triple-net lease for the real estate assets with White Oak which has an initial term of 20 years and provides White Oak with options for three renewal terms of ten years each extending to 2059. The unitary triple-net lease provides for annual rent escalations. White Oak is responsible to pay for all existing and future environmental liabilities related to the properties.

## **Trademarks**

We own the Getty® name and trademark in connection with our real estate and the petroleum marketing business in the United States and have licensed the Getty® trademarks to Marketing on an exclusive basis in its marketing territory as of December 2000. We have also licensed the trademarks to Marketing on a non-exclusive basis outside that territory, subject to a gallonage-based royalty, although to date, Marketing has not used the trademark outside that territory. The trademark licenses with Marketing are coterminous with the Master Lease, and are expected to terminate upon rejection of the Master Lease pursuant to the Stipulation.

## **Regulation**

We are subject to numerous existing federal, state and local laws and regulations including matters related to the protection of the environment such as the remediation of known contamination and the retirement and decommissioning or removal of long-lived assets including buildings containing hazardous materials, underground storage tanks ( UST or USTs ) and other equipment. Petroleum properties are governed by numerous federal, state and local environmental laws and regulations. These laws have included: (i) requirements to report to governmental authorities discharges of petroleum products into the environment and, under certain circumstances, to remediate the soil and/or groundwater contamination pursuant to governmental order and directive, (ii) requirements to remove and replace USTs that have exceeded governmental-mandated age limitations, and (iii) the requirement to provide a certificate of financial responsibility with respect to claims relating to UST failures. Our tenants are directly responsible for compliance with various environmental laws and regulations as the operators of our properties.

We believe that we are in substantial compliance with federal, state and local provisions enacted or adopted pertaining to environmental matters. Although we are unable to predict what legislation or regulations may be adopted in the future with respect to environmental protection and waste disposal, existing legislation and regulations have had no material adverse effect on our competitive position. (For additional information with respect to pending environmental lawsuits and claims see Item 3. Legal Proceedings .)

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Environmental expenses are principally attributable to remediation costs which include installing, operating, maintaining and decommissioning remediation systems, monitoring contamination, and governmental agency reporting incurred in connection with contaminated properties. We seek reimbursement from state UST remediation funds related to these environmental expenses where available. We enter into leases and various other agreements which allocate responsibility for known and unknown environmental liabilities by establishing the percentage and method of allocating responsibility between the parties. In accordance with leases with certain tenants, we have agreed to bring the leased properties with known environmental contamination to within applicable standards, and to either regulatory or contractual closure ( Closure ) in an efficient and economical manner. Generally, upon achieving Closure at each individual property, our environmental liability under the lease for that property will be satisfied and future remediation obligations will be the responsibility of our tenant.

Our tenants are directly responsible to pay for (i) remediation of environmental contamination they cause and compliance with various environmental laws and regulations as the operators of our properties, and (ii) environmental liabilities allocated to them under the terms of our leases and various other agreements. Generally, the liability for the retirement and decommissioning or removal of USTs and other equipment is the responsibility of our tenants. We are contingently liable for these obligations in the event that our tenants do not satisfy their responsibilities. A liability has not been accrued for obligations that are the responsibility of our tenants, other than the \$47.9 million accrued in the fourth quarter of 2011 for the Marketing Environmental Liabilities, based on our tenants' past histories of paying such obligations and/or our assessment of their respective financial abilities to pay their share of such costs. However, there can be no assurance that our assessments are correct or that our tenants who have paid their obligations in the past will continue to do so.

It is possible that our assumptions regarding the ultimate allocation methods and share of responsibility that we used to allocate environmental liabilities may change, which may result in adjustments to the amounts recorded for environmental litigation accruals and environmental remediation liabilities. We will be required to accrue for environmental liabilities that we believe are allocable to others under various agreements if we determine that it is probable that the counter-party will not meet its environmental obligations. We may ultimately be responsible to pay for environmental liabilities as the property owner if the counterparty fails to pay them. The ultimate resolution of these matters could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

For additional information please refer to Item 1A. Risk Factors and to Liquidity and Capital Resources, Environmental Matters , Contractual Obligations in Management's Discussion and Analysis of Financial Condition and Results of Operations which appear in Item 7. and notes 3 and 6 in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements. in this Annual Report on Form 10-K.

## **Personnel**

As of March 14, 2012, we had 22 employees.

## **Access to our filings with the Securities and Exchange Commission and Corporate Governance Documents**

Our website address is [www.gettyrealty.com](http://www.gettyrealty.com). Our address, phone number and a list of our officers is available on our website. Our website contains a hyperlink to the EDGAR database of the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov) where you can access, free-of-charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports as soon as reasonably practicable after such reports are filed. Our website also contains our business conduct guidelines, corporate governance guidelines and the charters of the Compensation, Nominating/Corporate Governance and Audit Committees of our Board of Directors. We also will provide copies of these reports and corporate governance documents free-of-charge upon request, addressed to Getty Realty Corp., 125 Jericho Turnpike, Suite 103, Jericho, NY 11753, Attn: Investor Relations. Information available on or accessible through our website shall not be deemed to be a part of this Annual Report on Form 10-K. You may read and copy any materials that we file with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330.

## **Item 1A. Risk Factors**

We are subject to various risks, many of which are beyond our control. As a result of these and other factors, we may experience material fluctuations in our future operating results on a quarterly or annual basis, which could materially and adversely affect our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price. An investment in our stock involves various risks, including those mentioned below and elsewhere in this Annual Report on Form 10-K and those that are described from time to time in our other filings with the SEC.



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***Our largest tenant has filed for bankruptcy protection. We cannot provide any assurance that Marketing will be able to meet its pre-petition and post-petition obligations under the Master Lease or any related court orders.***

From August through December 2011, Marketing did not pay monthly fixed rent to us on the first of the month, as required by the terms of the Master Lease. Following each such nonpayment event, we delivered a default notice to Marketing, and, for the months of August and September 2011, Marketing cured its default by payment of the outstanding monthly fixed rent installment with applicable interest. In August 2011, Marketing delivered a notice to us stating its intent to offset rent due under the Master Lease based upon allegations of nonperformance by us of certain environmental remediation obligations allegedly required to be performed by us pursuant to the terms of the Master Lease. We considered Marketing's notice to be without merit and filed a lawsuit in New York State Supreme Court to stop Marketing from offsetting rent. At about the same time, we also issued a separate default notice against Marketing for various violations of the Master Lease, including nonpayment of certain real estate taxes attributable to properties subject to the Master Lease.

In October 2011, the New York State Supreme Court ordered Marketing to pay \$4.0 million of October 2011 fixed rent to us and the balance (\$0.9 million) into escrow, pending resolution of Marketing's claims. Marketing complied with this court order and made the required payments. In November 2011, Marketing again withheld rent on the purported basis of its offset notice, and in mid-November 2011 the New York State Supreme Court again ordered Marketing to pay the majority of November 2011 rent to us and the balance into escrow. On appeal by Marketing, the New York State Appellate Division stayed the lower court order, but ordered Marketing to pay the entire amount of fixed rent for November 2011 (\$4.9 million) into escrow by November 28, 2011. Marketing failed to comply with the terms of the Appellate Division order and pay the amount of November 2011 fixed rent into escrow on November 28, 2011. Consequently, we issued a notice to Marketing terminating the Master Lease which, pursuant to the terms of the Master Lease and such notice, terminated the Master Lease as of December 12, 2011. On December 5, 2011, Marketing filed for Chapter 11 bankruptcy protection in the Bankruptcy Court. On March 7, 2012 we entered into a Stipulation (described below) with Marketing and the Creditors Committee seeking an order from the U.S. Bankruptcy Court and as a result, we expect we will retake possession of our properties commencing in the second quarter of 2012. Based on information available to us as of the date of this Annual Report on Form 10-K, we believe it is more likely than not that after we retake possession of all of the properties subject to the Master Lease, Marketing's business will be placed into liquidation. (For additional information regarding the historical portion of our financial results that are attributable to Marketing, see note 12 in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements. )

We estimate that Marketing's accrued obligations to us as of the date Marketing filed bankruptcy to be approximately \$8.8 million. This aggregate amount consists primarily of unpaid fixed rent and real estate taxes (including real estate taxes that we began paying in the first quarter of 2012, which taxes Marketing historically paid directly) and to a lesser extent other property-related expenses which are Marketing's responsibility pursuant to the Master Lease. These unpaid obligations are considered pre-petition claims and subject to discharge by Marketing in its bankruptcy proceedings. We do not expect to collect any of these pre-petition claims and we have fully reserved the amount due from Marketing for such claims.

In addition, subsequent to filing the Bankruptcy petition, to date Marketing has failed to pay us \$12.6 million in contractual rent, real estate taxes and other expenses payable by Marketing under the Master Lease attributable to the first quarter of 2012. Other than amounts due prior to April 30, 2012 pursuant to the payment schedule provided for in the Stipulation, we believe it is not likely that we will collect the unpaid post-petition amounts due from Marketing. As in the case with the pre-petition claims, there is no assurance that we will collect such amounts. Based on information available to us as of the date of this Annual Report on Form 10-K, we cannot provide any assurance that Marketing will be able to meet its pre and post-petition obligations under the Master Lease or any related court orders.

***We intend to reposition our properties that were subject to the Master Lease. We expect to incur significant costs associated with repositioning these properties to generate cash flow over a period of years. The incurrence of these costs may materially negatively impact our cash flow and ability to pay dividends.***

We intend to remove and reposition our properties from the Master Lease to generate cash flows as promptly as practicable. On March 7, 2012 we entered into a Stipulation with Marketing and the Official Committee of Unsecured Creditors in Marketing's bankruptcy proceedings seeking an order from the Bankruptcy Court and as a result, we expect we will retake possession of our properties commencing in the second quarter of 2012. The Stipulation has been filed with the Bankruptcy Court along with a motion seeking its approval which is currently scheduled to be heard by the Bankruptcy Court on April 2, 2012. No assurances can be given that the Stipulation will be approved. It is likely that the repositioning process will create multiple tenancies with respect to

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the portfolio that was leased to Marketing under the Master Lease. We expect to enter into intermediate and long-term triple-net leases for groups of these properties with tenants who are actively engaged in the business of retail petroleum marketing. However, in the short-term, it is possible that we may reposition groups of properties by: (a) entering into temporary short-term arrangements with the existing occupants of the properties or operators of groups of properties, allowing them to continue to use and occupy the premises as long as they continue to pay us appropriate compensation and abide by other appropriate covenants, (b) entering into fuel supply agreements with third party fuel suppliers, (c) entering into long-term leases with distributors engaged in the sale of gasoline and other motor products, (d) disposing of some properties by sale or (e) continuing an existing sub-lease on a direct basis between such former Marketing subtenant and us, whether on substantially the same terms that had previously been in place between such subtenant and Marketing or on modified terms.

Following completion of the repositioning process, we expect the revenue realized from the properties that were subject to the Master Lease to be less than the contractual rent received under the Master Lease. In addition, we expect to incur Property Expenditures and Capital Expenditures (as defined below) during and after the repositioning process.

Since the Master Lease was structured as a triple-net lease, Marketing (as the lessee) had the responsibility for the maintenance, repair, real estate taxes, insurance and general upkeep of these properties ( Property Expenditures ) during the term of the Master Lease. Marketing has failed to meet many of its obligations to undertake the Property Expenditures related to our properties. Marketing also did not pay for any additional Property Expenditures for the period after termination of the Master Lease. Accordingly, in the course of repositioning the properties, we expect to incur significant costs over a period of years for required renovations, replacement of underground storage tanks and related equipment or environmental remediation, zoning and permitting along with making capital expenditures to comply with federal laws such as the Americans with Disabilities Act ( Capital Improvements ).

We expect that we will continue to incur costs associated with both the bankruptcy proceedings with Marketing and the process of taking control of our properties. It is possible that we may have to take title to gasoline before we distribute it to our lessees and that we may incur additional costs as a result of eviction proceedings we may have to initiate to take control of our properties. We anticipate incurring significant Property Expenditures and Capital Improvement costs. It is also possible that our estimates for environmental remediation and underground storage tank removal expenses relating to these properties will be higher than the Marketing Environmental Liabilities (as defined below) we have accrued.

In the first quarter of 2012 we began paying the real estate taxes due on the properties subject to the Master Lease, and billing Marketing therefor. Revenues from rental properties and rental property expense included \$4.1 million for the year ended December 31, 2011 for real estate taxes paid (or accrued) by us which were due from Marketing. We expect that in the near term we will also be required to pay or accrue for, Property Expenditures, environmental and other operating expenses relating to the properties subject to the Master Lease. In addition, it is possible that issues involved in re-letting or repositioning these properties may require significant management attention that would otherwise be devoted to other aspects of our ongoing business. In connection with our repositioning of the properties subject to the Master Lease, we anticipate that, as between us and any new tenant or transferee of a property or group of properties, we will in almost all cases retain environmental liabilities that exist with respect to that property or group of properties prior to the date of re-letting or sale, to the extent there is no third party responsible therefor. These and other actions are expected to significantly increase our overhead expenses for the foreseeable future. As of the date of this Annual Report on Form 10-K, we have not determined the total amounts of any such potential additional expenses. The incurrence of these expenses will materially negatively impact our cash flow and ability to pay dividends.

***As a result of the developments with Marketing, we have recognized certain expenses and accrued certain other expenses. We cannot provide any assurances that the amounts that we have recognized or accrued will not change significantly. Changes to our estimates may negatively impact our cash flows and ability to pay dividends.***

During the quarter ended December 31, 2011, we recorded a non-cash allowance for deferred rental revenue of \$8.7 million (in addition to the \$11.0 million allowance recorded during the quarter ended September 30, 2011) fully reserving for the deferred rent receivable relating to the Master Lease. These non-cash allowances reduced our net earnings and funds from operations for the three and twelve months ended December 31, 2011, but did not impact our cash flow from operating activities or adjusted funds from operations since the impact of the straight line method of accounting is not included in our determination of adjusted funds from operations. We also provided an \$8.8 million reserve for bad debts, primarily attributable to nonpayment of pre-petition rent and real estate taxes due from Marketing. In addition, we have accrued \$47.9 million as the aggregate Marketing Environmental Liabilities. Our estimate is based, in part, upon our belief that we will recover a portion of the Marketing Environmental Liabilities from state agencies. We cannot provide any assurance that the programs under which we are reimbursed from state UST remediation funds will continue to be available to us. In conjunction with recording the Marketing Environmental Liabilities, we increased the carrying value

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for each of the related properties by the amount of the related estimated environmental obligation and simultaneously recorded impairment charges aggregating \$17.0 million where the increased carrying value of the property exceeded its estimated fair value. The increases in carrying values of the properties will be depreciated over (i) the estimated remaining life of the underground storage tank to the extent the increase in carrying value related to obligations to remove underground storage tanks, (ii) a ten year period to the extent the increase in carrying value related to environmental remediation obligations or (iii) such shorter period if circumstances warrant, such as the remaining lease term for properties we lease from others. The actual amount of the Marketing Environmental Liabilities may be significantly higher and we can provide no assurance as to the accuracy of our estimates. We do not maintain pollution legal liability insurance to protect us from potential future claims related to known and unknown environmental liabilities. Changes to our estimates may materially negatively impact our cash flow and ability to pay dividends.

***Our future cash flow is dependent on the performance of our tenants of their lease obligations, renewal of existing leases and either re-letting or selling our vacant properties and properties being repositioned that were previously subject to the Master Lease.***

In addition to the risks related to Marketing as described herein, we are subject to risks that financial distress, default or bankruptcy of our other tenants may lead to vacancy at our properties or disruption in rent receipts as a result of partial payment or nonpayment of rent or that expiring leases may not be renewed. Under unfavorable general economic conditions, there can be no assurance that our tenants' level of sales and financial performance generally will not be adversely affected, which in turn, could impact the reliability of our rent receipts. We are subject to risks that the terms governing (i) the properties previously subject to the Master Lease that are being repositioned and (ii) renewal or re-letting of our other properties (including the cost of required renovations, replacement of underground storage tanks and related equipment or environmental remediation) may be less favorable than current lease terms. We are also subject to the risk that the values of our properties that we sell may be adversely affected by unfavorable general economic conditions. Unfavorable general economic conditions may also negatively impact our ability to re-let or sell our properties. Numerous properties compete with our properties in attracting tenants to lease space. The number of available or competitive properties in a particular area could have a material adverse effect on our ability to lease or sell our properties and on the rents we are able to charge. In addition to the risk of disruption in rent receipts, we are subject to the risk of incurring real estate taxes, maintenance, environmental and other expenses at vacant properties.

The financial distress, default or bankruptcy of our tenants may also lead to protracted and expensive processes for retaking control of our properties than would otherwise be the case, including, eviction or other legal proceedings related to or resulting from the tenant's default. These risks are greater with respect to certain of our tenants who lease multiple properties from us. If a tenant files for bankruptcy protection it is possible that we would recover substantially less than the full value of our claims against the tenant. If our tenants do not perform their lease obligations; or we are unable to renew existing leases and promptly recapture and re-let or sell vacant locations; or if lease terms upon renewal or re-letting are less favorable than current lease terms; or if the values of properties that we sell are adversely affected by market conditions; or if we incur significant costs or disruption related to or resulting from tenant financial distress, default or bankruptcy; then our cash flow could be significantly adversely affected.

***As part of our efforts to reposition our properties that were subject to the Master Lease, it is likely that we will sell some of our properties. We cannot predict the terms or timing of any such dispositions. If we do not obtain favorable terms on such dispositions, our operations and financial performance will be negatively impacted.***

We are continuing our efforts to sell approximately 160 properties that have previously had their underground storage tanks removed and nine petroleum distribution terminals, although alternatively we may seek to re-let some of these properties and terminals. Additionally, as part of the Bankruptcy proceedings and repositioning of our properties, we may sell additional properties that were subject to the Master Lease. While we have dedicated considerable effort designed to increase sales and leasing activity, we cannot predict if or when property dispositions will close and whether the terms of any such disposition will be favorable to us. It is likely that we will in almost all cases retain environmental liabilities that exist with respect to that property or group of properties prior to the date of sale, to the extent there is no third party responsible therefor. If we do not obtain favorable terms on such dispositions, our operations and financial performance will be negatively impacted.

***We have entered into a stipulation with Marketing and the Official Committee of Unsecured Creditors in the Bankruptcy proceedings, which if approved by the Court, will become an order of the Bankruptcy Court. We cannot predict if the Court will approve the Stipulation or if Marketing will comply with the terms of the Stipulation. If Marketing fails to comply with the Stipulation or if the Court does not approve the Stipulation, it may delay or inhibit and increase the cost and timing of our process for repositioning the properties subject to the Master Lease.***

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On March 7, 2012, we entered into a stipulation with Marketing and the Official Committee of Unsecured Creditors in the Bankruptcy proceedings (the Creditors Committee ), which is subject to the approval of the Bankruptcy Court (the Stipulation ). Our decision to enter into the Stipulation was based on our belief that doing so avoided possible costly litigation, improved our ability to capture cash flow relating to the properties subject to the Master Lease, minimized disruption to the operations of our properties that could occur from cessation of gas sales by the operators thereof, and permitted us to take greater control of the process for orderly recapture and re-letting or other re-disposition of our properties. The Stipulation has been filed with the Bankruptcy Court with notice that a hearing will be held on April 2, 2012 to consider its approval by the Bankruptcy Court. No assurance can be given that the Stipulation will be approved by the Bankruptcy Court.

If Marketing fails to comply with the Stipulation or if the Court does not approve the Stipulation, our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or stock price may be adversely affected.

***Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations, and they require management to make estimates, judgments and assumptions about matters that are inherently uncertain.***

Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations. We have identified several accounting policies as being critical to the presentation of our financial position and results of operations because they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be recorded under different conditions or using different assumptions. Because of the inherent uncertainty of the estimates, judgments and assumptions associated with these critical accounting policies, we cannot provide any assurance that we will not make subsequent significant adjustments to our consolidated financial statements. Estimates, judgments and assumptions underlying our consolidated financial statements include, but are not limited to, accounts receivable, deferred rent receivable, income under direct financing leases, environmental remediation costs, real estate, depreciation and amortization, impairment of long-lived assets, litigation, accrued liabilities, income taxes and allocation of the purchase price of properties acquired to the assets acquired and liabilities assumed. If our judgments, assumptions and allocations prove to be incorrect, or if circumstances change, our business, financial condition, revenues, operating expense, results of operations, liquidity, ability to pay dividends or stock price may be materially adversely affected. (For information regarding our critical accounting policies, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies .)

***We are dependent on external sources of capital which may not be available on favorable terms, or at all.***

We are dependent on external sources of capital to maintain our status as a REIT and must distribute to our shareholders each year at least 90% of our net taxable income, excluding any net capital gain. Because of these distribution requirements, it is not likely that we will be able to fund all future capital needs, including acquisitions, from income from operations. Therefore, we will have to continue to rely on third party sources of capital, which may or may not be available on favorable terms, or at all.

Our principal sources of liquidity are our cash flows from operations and available cash and cash equivalents. Historically, we have also utilized our Credit Agreement which was amended on March 9, 2012 and the maturity date extended by one year to March 2013 (the Amended Credit Agreement ). See note 4 in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements for a description of the terms of the Amended Credit Agreement and the terms of the amendment to the three year term loan agreement with TD Bank (the Amended Term Loan Agreement ). However, our access to funds under the Amended Credit Agreement has been severely limited and, in the short-term, it is unlikely that we will be able to access any additional funds under the Amended Credit Agreement. In order to continue to meet our liquidity needs (including the repayment of the balance outstanding under the Amended Credit Agreement and the Amended Term Loan Agreement when due in March 2013), we must extend the maturity of or refinance the Amended Credit Agreement and the Amended Term Loan Agreement or obtain additional sources of financing. Additional sources of financing may be more expensive or contain more onerous terms than exist under the Amended Credit Agreement and the Amended Term Loan Agreement, or simply may not be available. As a result, we may be required to enter into alternative loan agreements, sell assets, reduce or eliminate our dividend or issue additional equity at unfavorable terms if we do not extend the term of the Amended Credit Agreement and the Amended Term Loan Agreement beyond March 2013. There can be no assurance that at or prior to expiration of the Amended Credit Agreement and the Amended Term Loan Agreement we will be able to amend these agreements or enter into a new revolving credit agreement on favorable terms, if at all.

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Our ability to meet the financial and other covenants relating to our Amended Credit Agreement and our Amended Term Loan Agreement is dependent on our continued ability to meet certain criteria as further described in note 4 in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements and the performance of our tenants. If we are not in compliance with one or more of our covenants which if not complied with could result in an event of default under our Amended Credit Agreement or our Amended Term Loan Agreement, there can be no assurance that our lenders would waive such non-compliance. In such an event, we would be prohibited from drawing funds against the Amended Credit Agreement and our indebtedness under the Amended Credit Agreement and the Amended Term Loan Agreement could be accelerated. An event of default if not cured or waived would increase by 200 basis points (2.00%) the interest rate we pay under our Amended Credit Agreement and would increase by 300 basis points (3.00%) the interest rate we pay under the Amended Term Loan Agreement. We may be unable to fulfill commitments relating to completion of future acquisitions, if any, and incur monetary losses or damage our reputation if we cannot draw sufficient funds against the Amended Credit Agreement. This could have a material adverse affect on our business, financial condition, results of operation, liquidity, ability to pay dividends or stock price.

Our access to third party sources of capital depends upon a number of factors including the successful resolution of the proceedings related to Marketing as described above, general market conditions, the market's perception of our growth potential, financial stability, our current and potential future earnings and cash distributions, covenants and limitations imposed under our Amended Credit Agreement and our Amended Term Loan Agreement and the market price of our common stock.

### ***Our business operations may not generate sufficient cash for distributions or debt service.***

There is no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay dividends on our common stock, to pay our indebtedness, or to fund our other liquidity needs. We may not be able to repay or refinance existing indebtedness on favorable terms, which could force us to dispose of properties on disadvantageous terms (which may also result in losses) or accept financing on unfavorable terms.

### ***We may acquire new properties, and this may create risks.***

We expect that during the period in which we are repositioning the properties subject to the Master Lease, our acquisition activities will primarily be focused on reinvesting proceeds we generate from the disposition of properties. Historically, we have acquired properties when we believe that an acquisition matches our business strategies. These properties may have characteristics or deficiencies currently unknown to us that affect their value or revenue potential. It is possible that the operating performance of these properties may decline after we acquire them, they may not perform as expected and, if financed using debt or new equity issuances, may result in shareholder dilution. Our acquisition of properties will expose us to the liabilities of those properties, some of which we may not be aware of at the time of acquisition. We face competition in pursuing these acquisitions and we may not succeed in leasing acquired properties at rents sufficient to cover their costs of acquisition and operations. Newly acquired properties may require significant management attention that would otherwise be devoted to our ongoing business. We may not succeed in consummating desired acquisitions. Consequences arising from or in connection with any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

### ***While we seek to grow through accretive acquisitions, acquisitions of properties may be dilutive and may not produce the returns that we expect and we may not be able to successfully integrate acquired properties into our portfolio or manage our growth effectively, which could have a material adverse effect on our results of operations, financial condition and growth prospects.***

Acquisition of properties may initially be dilutive to our net income, and such properties may not perform as we expect or produce the returns that we anticipate (including, without limitation, as a result of tenant bankruptcies, tenant concessions, our inability to collect rents and higher than anticipated operating expenses). Further, we may not successfully integrate one or more of these property acquisitions into our existing portfolio without operating disruptions or unanticipated costs. Additionally, to the extent we increase the size of our portfolio, we may not be able to adapt our management, administrative, accounting and operational systems, or hire and retain sufficient operational staff to integrate acquired properties into our portfolio or manage any future acquisitions of properties without operating disruptions or unanticipated costs. Moreover, our continued growth, including the repositioning of our properties subject to the Master Lease, will require increased investment in management personnel, professional fees, other personnel, financial and management systems and controls and facilities, which will result in additional operating expenses. Under the circumstances described above, our results of operations, financial condition and growth prospects may be materially and adversely affected.

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### ***We are subject to risks inherent in owning and leasing real estate.***

We are subject to varying degrees of risk generally related to leasing and owning real estate many of which are beyond our control. In addition to general risks applicable to us, our risks include, among others:

our liability as a lessee for long-term lease obligations regardless of our revenues,

deterioration in national, regional and local economic and real estate market conditions,

potential changes in supply of, or demand for, rental properties similar to ours,

competition for tenants and declining rental rates,

difficulty in selling or re-letting properties on favorable terms or at all

impairments in our ability to collect rent payments when due,

increases in interest rates and adverse changes in the availability, cost and terms of financing,

the potential for uninsured casualty and other losses due to natural disasters or other causes,

the impact of present or future environmental legislation and compliance with environmental laws,

adverse changes in zoning laws and other regulations, and

acts of terrorism and war.

Each of these factors could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price. In addition, real estate investments are relatively illiquid, which means that our ability to vary our portfolio of properties in response to changes in economic and other conditions may be limited.

### ***Adverse developments in general business, economic, or political conditions could have a material adverse effect on us.***

Adverse developments in general business and economic conditions, including through recession, downturn or otherwise, either in the economy generally or in those regions in which a large portion of our business is conducted, could have a material adverse effect on us and significantly increase certain of the risks we are subject to. The general economic conditions in the United States are, and for an extended period of time may be, significantly less favorable than that of prior years. Among other effects, adverse economic conditions could depress real estate values, impact our ability to re-let or sell our properties and have an adverse effect on our tenants' level of sales and financial performance generally. Our revenues are dependent on the economic success of our tenants and any factors that adversely impact our tenants could also have a material adverse effect on our business, financial condition and results of operations, liquidity, ability to pay dividends or stock price.

*Substantially all of our tenants depend on the same industry for their revenues.*

We derive substantially all of our revenues from leasing, primarily on a triple-net basis, retail motor fuel and convenience store properties and petroleum distribution terminals to tenants in the petroleum marketing industry. Accordingly, our revenues are substantially dependent on the economic success of the petroleum marketing industry, and any factors that adversely affect that industry, such as disruption in the supply of petroleum or a decrease in the demand for conventional motor fuels due to conservation, technological advancements in petroleum-fueled motor vehicles, or an increase in the use of alternative fuel vehicles, or green technology could also have a material adverse effect on our business, financial condition and results of operations, liquidity, ability to pay dividends or stock price. The success of participants in the petroleum marketing industry depends upon the sale of refined petroleum products at margins in excess of fixed and variable expenses. The petroleum marketing industry is highly competitive and volatile. Petroleum products are commodities, the prices of which depend on numerous factors that affect supply and demand. The prices paid by our tenants and other petroleum marketers for products are affected by global, national and regional factors. A large, rapid increase in wholesale petroleum prices would adversely affect the profitability and cash flows of our tenants if the increased cost of petroleum products could not be passed on to their customers or if automobile consumption of gasoline was to decline significantly. We cannot be certain how these factors will affect petroleum product prices or supply in the future, or how in particular they will affect our tenants.

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### ***Property taxes on our properties may increase without notice.***

Each of the properties we own or lease is subject to real property taxes. The leases for certain of the properties that we lease from third parties obligate us to pay real property taxes with regard to those properties. The real property taxes on our properties and any other properties that we acquire or lease in the future may increase as property tax rates change and as those properties are assessed or reassessed by tax authorities. To the extent that our tenants are unable or unwilling to pay such increase in accordance with their leases, our net operating expenses may increase.

### ***We incur significant operating costs as a result of environmental laws and regulations which costs could significantly rise and reduce our profitability.***

We are subject to numerous existing federal, state and local laws and regulations, including matters relating to the protection of the environment. Under certain environmental laws, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances or petroleum products at, on, or under, such property, and may be required to investigate and clean-up such contamination. Such laws typically impose liability and clean-up responsibility without regard to whether the owner or operator knew of or caused the presence of the contaminants, or the timing or cause of the contamination, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. For example, liability may arise as a result of the historical use of a property or from the migration of contamination from adjacent or nearby properties. Any such contamination or liability may also reduce the value of the property. In addition, the owner or operator of a property may be subject to claims by third parties based on injury, damage and/or costs, including investigation and clean-up costs, resulting from environmental contamination present at or emanating from a property. The properties owned or controlled by us are leased primarily as retail motor fuel and convenience store properties, and therefore may contain, or may have contained, USTs for the storage of petroleum products and other hazardous or toxic substances, which creates a potential for the release of such products or substances. Some of our properties may be subject to regulations regarding the retirement and decommissioning or removal of long-lived assets including buildings containing hazardous materials, USTs and other equipment. Some of the properties may be adjacent to or near properties that have contained or currently contain USTs used to store petroleum products or other hazardous or toxic substances. In addition, certain of the properties are on, adjacent to, or near properties upon which others have engaged or may in the future engage in activities that may release petroleum products or other hazardous or toxic substances. There may be other environmental problems associated with our properties of which we are unaware. These problems may make it more difficult for us to re-let or sell our properties on favorable terms, or at all.

For additional information with respect to pending environmental lawsuits and claims, environmental remediation costs and estimates, and Marketing and the Master Lease see Item 3. Legal Proceedings, Environmental Matters in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and notes 3 and 6 in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements each of which is incorporated by reference herein.

We enter into leases and various other agreements which allocate responsibility for known and unknown environmental liabilities by establishing the percentage and method of allocating responsibility between the parties. Our tenants are directly responsible to pay for (i) remediation of environmental contamination they cause and compliance with various environmental laws and regulations as the operators of our properties, and (ii) environmental liabilities allocated to them under the terms of our leases and various other agreements. Generally, the liability for the retirement and decommissioning or removal of USTs and other equipment is the responsibility of our tenants. We are contingently liable for these obligations in the event that our tenants do not satisfy their responsibilities. A liability has not been accrued for obligations that are the responsibility of our tenants, other than the \$47.9 million accrued in the fourth quarter of 2011 for the Marketing Environmental Liabilities, based on our tenants' past histories of paying such obligations and/or our assessment of their respective financial abilities to pay their share of such costs. However, there can be no assurance that our assessments are correct or that our tenants who have paid their obligations in the past will continue to do so.

We cannot provide any assurance that the programs under which we are reimbursed from state UST remediation funds will continue to be available to us. Environmental exposures are difficult to assess and estimate for numerous reasons, including the extent of contamination, alternative treatment methods that may be applied, location of the property which subjects it to differing local laws and regulations and their interpretations, as well as the time it takes to remediate contamination. In developing our liability for estimated environmental remediation costs on a property by property basis, we consider among other things, enacted laws and regulations, assessments of contamination and surrounding geology, quality of information available, currently available technologies for treatment, alternative methods of remediation and prior experience. Environmental accruals are based on estimates which are subject to significant change, and are adjusted as the remediation treatment progresses, as circumstances change and as environmental contingencies become more clearly defined and reasonably estimable. Adjustments to accrued liabilities for environmental remediation costs will be reflected in our financial statements as they become probable and a reasonable estimate of fair value can be made.



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It is possible that our assumptions regarding the ultimate allocation methods and share of responsibility that we used to allocate environmental liabilities may change, which may result in adjustments to the amounts recorded for environmental litigation accruals and environmental remediation liabilities. We will be required to accrue for environmental liabilities that we believe are allocable to others under various other agreements if we determine that it is probable that the counterparty will not meet its environmental obligations. We may ultimately be responsible to pay for environmental liabilities as the property owner if the counterparty fails to pay them.

We cannot predict what environmental legislation or regulations may be enacted in the future, or if or how existing laws or regulations will be administered or interpreted with respect to products or activities to which they have not previously been applied. We cannot predict whether state UST fund programs will be administered and funded in the future in a manner that is consistent with past practices and if future environmental spending will continue to be eligible for reimbursement at historical recovery rates under these programs. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretation of existing laws which may develop in the future, could have an adverse effect on our financial position, or that of our tenants, and could require substantial additional expenditures for future remediation.

As a result of the factors discussed above, or others, compliance with environmental laws and regulations could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

### ***We are defending pending lawsuits and claims and are subject to material losses.***

We are subject to various lawsuits and claims, including litigation related to environmental matters, such as those arising from leaking USTs and releases of motor fuel into the environment, and toxic tort claims. The ultimate resolution of certain matters cannot be predicted because considerable uncertainty exists both in terms of the probability of loss and the estimate of such loss. Our ultimate liabilities resulting from such lawsuits and claims, if any, could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price. For additional information with respect to pending environmental lawsuits and claims and environmental remediation costs and estimates see Item 3. Legal Proceedings and Environmental Matters in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and notes 3 and 6 in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements each of which is incorporated by reference herein.

### ***A significant portion of our properties are concentrated in the Northeast and Mid-Atlantic regions of the United States, and adverse conditions in those regions, in particular, could negatively impact our operations.***

A significant portion of the properties we own and lease are located in the Northeast and Mid-Atlantic regions of the United States. Because of the concentration of our properties in those regions, in the event of adverse economic conditions in those regions, we would likely experience higher risk of default on payment of rent to us than if our properties were more geographically diversified. Additionally, the rents on our properties may be subject to a greater risk of default than other properties in the event of adverse economic, political, or business developments or natural hazards that may affect the Northeast or Mid-Atlantic United States and the ability of our lessees to make rent payments. This lack of geographical diversification could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

### ***We are in a competitive business.***

The real estate industry is highly competitive. Where we own properties, we compete for tenants with a large number of real estate property owners and other companies that sublet properties. Our principal means of competition are rents we are able to charge in relation to the income producing potential of the location. In addition, we expect other major real estate investors, some with much greater financial resources or more experienced personnel than we have, will compete with us for attractive acquisition opportunities. These competitors include petroleum manufacturing, distributing and marketing companies, other REITs, investment banking firms and private institutional investors. This competition has increased prices for properties we seek to acquire and may impair our ability to make suitable property acquisitions on favorable terms in the future.

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***We are exposed to counterparty credit risk and there can be no assurances that we will effectively manage or mitigate this risk.***

We regularly interact with counterparties in various industries. The types of counterparties most common to our transactions and agreements include, but are not limited to, landlords, tenants, vendors and lenders. Our most significant counterparties include, but are not limited to the members of the Bank Syndicate that are counterparties to our Amended Credit Agreement and the lender that is the counterparty to the Amended Term Loan Agreement. The default, insolvency or other inability of a significant counterparty to perform its obligations under an agreement or transaction, including, without limitation, as a result of the rejection of an agreement or transaction in bankruptcy proceedings, could have a material adverse effect on us. (For additional information, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources and Item 7A. Quantitative and Qualitative Disclosures About Market Risks.)

***We are subject to losses that may not be covered by insurance.***

Our tenants, as the lessees of our properties, are required to provide insurance for such properties, including casualty, liability, fire and extended coverage in amounts and on other terms as set forth in our leases. We do not maintain pollution legal liability insurance to protect us from potential future claims for environmental contamination, including the environmental liabilities that are the responsibility of our tenants. We carry insurance against certain risks and in such amounts as we believe are customary for businesses of our kind. However, as the costs and availability of insurance change, we may decide not to be covered against certain losses (such as certain environmental liabilities, earthquakes, hurricanes, floods and civil disorder) where, in the judgment of management, the insurance is not warranted due to cost or availability of coverage or the remoteness of perceived risk. There is no assurance that our insurance coverages are or will be sufficient to cover actual losses incurred. The destruction of, or significant damage to, or significant liabilities arising out of conditions at, our properties due to an uninsured cause would result in an economic loss and could result in us losing both our investment in, and anticipated profits from, such properties. When a loss is insured, the coverage may be insufficient in amount or duration, or a lessee's customers may be lost, such that the lessee cannot resume its business after the loss at prior levels or at all, resulting in reduced rent or a default under its lease. Any such loss relating to a large number of properties could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

***Failure to qualify as a REIT under the federal income tax laws would have adverse consequences to our shareholders.***

We elected to be treated as a REIT under the federal income tax laws beginning January 1, 2001. We cannot, however, guarantee that we will continue to qualify in the future as a REIT. We cannot give any assurance that new legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements relating to our qualification. If we fail to qualify as a REIT, we would not be allowed a deduction for distributions to shareholders in computing our taxable income and will again be subject to federal income tax at regular corporate rates, we could be subject to the federal alternative minimum tax, we could be required to pay significant income taxes and we would have less money available for our operations and distributions to shareholders. This would likely have a significant adverse effect on the value of our securities. We could also be precluded from treatment as a REIT for four taxable years following the year in which we lost the qualification, and all distributions to shareholders would be taxable as regular corporate dividends to the extent of our current and accumulated earnings and profits. Loss of our REIT status would result in an event of default that, if not cured or waived, would prohibit us from drawing funds against the Amended Credit Agreement and could result in the acceleration of all of our indebtedness under our Amended Credit Agreement and Amended Term Loan Agreement which could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

***We are exposed to interest rate risk and there can be no assurances that we will manage or mitigate this risk effectively.***

We are exposed to interest rate risk, primarily as a result of our Amended Credit Agreement which expires in March 2013 and our Amended Term Loan Agreement which also expires in March 2013. Borrowings under our Amended Credit Agreement and our Amended Term Loan Agreement bear interest at a floating rate. Accordingly, an increase in interest rates will increase the amount of interest we must pay under our Amended Credit Agreement and our Amended Term Loan Agreement. Our interest rate risk may materially change in the future if we increase our borrowings under the Amended Credit Agreement, further amend our Amended Credit Agreement or Amended Term Loan Agreement, seek other sources of debt or equity capital or refinance our outstanding debt. A significant increase in interest rates could also make it more difficult to find alternative financing on desirable terms. (For additional information with respect to interest rate risk, see Item 3. Quantitative and Qualitative Disclosures About Market Risks.)

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### ***We may change our dividend policy and the dividends we pay may be subject to significant volatility.***

The decision to declare and pay dividends on our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our Board of Directors and will depend on such factors as the Board of Directors deems relevant. In addition, our Amended Credit Agreement and our Amended Term Loan Agreement prohibit the payments of dividends during certain events of default. No assurance can be given that our financial performance in the future will permit our payment of any dividends or that the amount of dividends we pay, if any, will not fluctuate significantly.

Under the Maryland General Corporation Law, our ability to pay dividends would be restricted if, after payment of the dividend, (1) we would not be able to pay indebtedness as it becomes due in the usual course of business or (2) our total assets would be less than the sum of our liabilities plus the amount that would be needed, if we were to be dissolved, to satisfy the rights of any shareholders with liquidation preferences. There currently are no shareholders with liquidation preferences.

To qualify for taxation as a REIT, we, among other requirements, must distribute annually to our stockholders at least 90% of our taxable income, including taxable income that is accrued by us without a corresponding receipt of cash. We cannot provide any assurance that our cash flows will permit us to continue paying cash dividends. The Internal Revenue Service ( IRS ) has allowed the use of a procedure, as a result of which we could satisfy the REIT income distribution requirement by making a distribution on our common stock comprised of (i) shares of our common stock having a value of up to 90% of the total distribution and (ii) cash in the remaining amount of the total distribution, in lieu of paying the distribution entirely in cash. The procedure will only apply to distributions made after 2011 to the extent that we properly elect under applicable law to treat such distributions as made out of taxable income that arose in 2011. We cannot provide any assurance that we will be able to satisfy our REIT income distribution requirement with respect to taxable income arising in 2012 and thereafter by making distributions payable in whole or in part in shares of our common stock. It is also possible that instead of distributing 100% of our taxable income on an annual basis, we may decide to retain a portion of our taxable income and to pay taxes on such amounts as permitted by the IRS. In the event that we pay a portion of a dividend in shares of our common stock, taxable U.S. shareholders would be required to pay tax on the entire amount of the dividend, including the portion paid in shares of common stock, in which case such shareholders might have to pay the tax using cash from other sources. If a U.S. shareholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to non-U. S. shareholders, we may be required to withhold U.S. tax with respect to such dividend, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our shareholders sell shares of our common stock in order to pay taxes owed on dividends, such sales would put downward pressure on the market price of our common stock.

As a result of the factors described above, we may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or our stock price.

### ***Changes in market conditions could adversely affect the market price of our publicly traded common stock.***

As with other publicly traded securities, the market price of our publicly traded common stock depends on various market conditions, which may change from time-to-time. Among the market conditions that may affect the market price of our publicly traded common stock are the following:

our financial condition and performance and that of our significant tenants;

the market's perception of our growth potential and potential future earnings;

the reputation of REITs generally and the reputation of REITs with portfolios similar to us;

the attractiveness of the securities of REITs in comparison to securities issued by other entities (including securities issued by other real estate companies);

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an increase in market interest rates, which may lead prospective investors to demand a higher distribution rate in relation to the price paid for publicly traded securities;

the extent of institutional investor interest in us; and

general economic and financial market conditions.

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***In order to preserve our REIT status, our charter limits the number of shares a person may own, which may discourage a takeover that could result in a premium price for our common stock or otherwise benefit our stockholders.***

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT for federal income tax purposes. Unless exempted by our Board of Directors, no person may actually or constructively own more than 5% (by value or number of shares, whichever is more restrictive) of the outstanding shares of our common stock or the outstanding shares of any class or series of our preferred stock, which may inhibit large investors from desiring to purchase our stock. This restriction may have the effect of delaying, deferring, or preventing a change in control, including an extraordinary transaction (such as a merger, tender offer, or sale of all or substantially all of our assets) that might provide a premium price for our common stock or otherwise be in the best interest of our stockholders.

***Maryland law may discourage a third-party from acquiring us.***

We are subject to the provisions of Maryland Business Combination Act (the "Business Combination Act") which prohibits transactions between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder for 5 (five) years after the most recent date on which the interested stockholder becomes an interested stockholder. Generally, pursuant to the Business Combination Act, an "interested stockholder" is a person who, together with affiliates and associates, beneficially owns, directly or indirectly, 10% or more of a Maryland corporation's voting stock. These provisions could have the effect of delaying, preventing or deterring a change in control of our company or reducing the price that certain investors might be willing to pay in the future for shares of our capital stock. Additionally, the Maryland Control Share Acquisition Act may deny voting rights to shares involved in an acquisition of one-tenth or more of the voting stock of a Maryland corporation. In our charter and bylaws, we have elected not to have the Maryland Control Share Acquisition Act apply to any acquisition by any person of shares of stock of our company. However, in the case of the control share acquisition statute, our Board of Directors may opt to make this statute applicable to us at any time by amending our bylaws, and may do so on a retroactive basis. Finally, the "unsolicited takeovers" provisions of the Maryland General Corporation Law permit our Board of Directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain provisions that may have the effect of inhibiting a third-party from making an acquisition proposal for our Company or of delaying, deferring or preventing a change in control of our Company under circumstances that otherwise could provide the holders of our common stocks with the opportunity to realize a premium over the then current market price or that stockholders may otherwise believe is in their best interests.

***Inflation may adversely affect our financial condition and results of operations.***

Although inflation has not materially impacted our results of operations in the recent past, increased inflation could have a more pronounced negative impact on any variable rate debt we incur in the future and on our results of operations. During times when inflation is greater than increases in rent, as provided for in our leases, rent increases may not keep up with the rate of inflation. Likewise, even though our triple-net leases reduce our exposure to rising property expenses due to inflation, substantial inflationary pressures and increased costs may have an adverse impact on our tenants if increases in their operating expenses exceed increases in revenue, which may adversely affect the tenants' ability to pay rent.

***The loss of certain members of our management team could adversely affect our business.***

We depend upon the skills and experience of our executive officers. Loss of the services of any of them could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price. Except for the employment agreement with our President and Chief Executive Officer, David Driscoll, we do not have employment agreements with any of our executives.

***Amendments to the Accounting Standards Codification made by the Financial Accounting Standards Board (the "FASB") or changes in accounting standards issued by other standard-setting bodies may adversely affect our reported revenues, profitability or financial position.***

Our financial statements are subject to the application of GAAP in accordance with the Accounting Standards Codification, which is periodically amended by the FASB. The application of GAAP is also subject to varying interpretations over time. Accordingly, we are required to adopt amendments to the Accounting Standards Codification or comply with revised interpretations that are issued from time-to-time by recognized authoritative bodies, including the FASB and the SEC. Those changes could adversely affect our reported revenues, profitability or financial position.

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*Terrorist attacks and other acts of violence or war may affect the market on which our common stock trades, the markets in which we operate, our operations and our results of operations.*

Terrorist attacks or other acts of violence or war could affect our business or the businesses of our tenants. The consequences of armed conflicts are unpredictable, and we may not be able to foresee events that could have a material adverse effect on us. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. Terrorist attacks also could be a factor resulting in, or a continuation of, an economic recession in the United States or abroad. Any of these occurrences could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Nearly all of our properties are leased or sublet to petroleum distributors and retailers engaged in the sale of gasoline and other motor fuel products, convenience store products and automotive repair services who are responsible for the operations conducted at these properties and for the payment of taxes, maintenance, repair, insurance and other operating expenses relating to our properties. In those instances where we determine that the best use for a property is no longer as a retail motor fuel outlet, we will seek an alternative tenant or buyer for the property. We lease or sublet approximately 20 of our properties under similar lease terms primarily for uses such as fast food restaurants, automobile sales and other retail purposes.

The following table summarizes the geographic distribution of our properties at December 31, 2011. The table also identifies the number and location of properties we lease from third-parties and which properties were subject to the Master Lease with Marketing. In addition, we lease 5,800 square feet of office space at 125 Jericho Turnpike, Jericho, New York, which is used for our corporate headquarters, which we believe will remain suitable and adequate for such purposes for the immediate future.

|                | OWNED BY GETTY REALTY                    |                  | LEASED BY GETTY REALTY               |                  |                                 |                                      |
|----------------|------------------------------------------|------------------|--------------------------------------|------------------|---------------------------------|--------------------------------------|
|                | SUBJECT TO<br>THE MASTER<br>LEASE<br>(1) | OTHER<br>TENANTS | SUBJECT<br>TO<br>THE MASTER<br>LEASE | OTHER<br>TENANTS | TOTAL<br>PROPERTIES<br>BY STATE | PERCENT<br>OF<br>TOTAL<br>PROPERTIES |
| New York       | 232                                      | 76               | 47                                   | 18               | 373                             | 32.4%                                |
| Massachusetts  | 126                                      | 31               | 15                                   | 10               | 182                             | 15.8                                 |
| New Jersey     | 105                                      | 6                | 15                                   | 6                | 132                             | 11.5                                 |
| Pennsylvania   | 103                                      | 7                | 1                                    | 3                | 114                             | 9.9                                  |
| Connecticut    | 60                                       | 27               | 10                                   | 11               | 108                             | 9.4                                  |
| New Hampshire  | 25                                       | 25               | 3                                    | 4                | 57                              | 5.0                                  |
| Maryland       | 4                                        | 40               |                                      | 2                | 46                              | 4.0                                  |
| Virginia       | 3                                        | 24               | 3                                    | 1                | 31                              | 2.7                                  |
| Maine          | 18                                       | 1                |                                      |                  | 19                              | 1.6                                  |
| Rhode Island   | 15                                       | 1                | 2                                    |                  | 18                              | 1.6                                  |
| Texas          |                                          | 17               |                                      |                  | 17                              | 1.5                                  |
| Hawaii         |                                          | 10               |                                      |                  | 10                              | 0.9                                  |
| California     |                                          | 8                |                                      | 1                | 9                               | 0.8                                  |
| Delaware       | 8                                        |                  | 1                                    |                  | 9                               | 0.8                                  |
| North Carolina |                                          | 8                |                                      |                  | 8                               | 0.7                                  |
| Florida        |                                          | 6                |                                      |                  | 6                               | 0.5                                  |
| Ohio           |                                          | 4                |                                      |                  | 4                               | 0.3                                  |
| Arkansas       |                                          | 3                |                                      |                  | 3                               | 0.3                                  |
| Illinois       |                                          | 1                |                                      |                  | 1                               | 0.1                                  |
| North Dakota   |                                          | 1                |                                      |                  | 1                               | 0.1                                  |
| Vermont        | 1                                        |                  |                                      |                  | 1                               | 0.1                                  |

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|       |     |     |    |    |       |        |
|-------|-----|-----|----|----|-------|--------|
| Total | 700 | 296 | 97 | 56 | 1,149 | 100.0% |
|-------|-----|-----|----|----|-------|--------|

(1) Includes nine terminal properties owned in New York, New Jersey, Connecticut and Rhode Island.

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The properties that we lease from third-parties have a remaining lease term, including renewal option terms, averaging over 11 years. The following table sets forth information regarding lease expirations, including renewal and extension option terms, for properties that we lease from third-parties:

| CALENDAR YEAR | NUMBER OF<br>LEASES<br>EXPIRING | PERCENT<br>OF TOTAL<br>LEASED<br>PROPERTIES | PERCENT<br>OF TOTAL<br>PROPERTIES |
|---------------|---------------------------------|---------------------------------------------|-----------------------------------|
| 2012          | 14                              | 9.15                                        | 1.22                              |
| 2013          | 6                               | 3.92                                        | 0.52                              |
| 2014          | 4                               | 2.61                                        | 0.35                              |
| 2015          | 7                               | 4.58                                        | 0.61                              |
| 2016          | 4                               | 2.61                                        | 0.35                              |
| Subtotal      | 35                              | 22.87                                       | 3.05                              |
| Thereafter    | 118                             | 77.13                                       | 10.27                             |
| Total         | 153                             | 100.00%                                     | 13.32%                            |

We have rights-of-first refusal to purchase or lease 102 of the properties we lease from third-parties. Approximately 68% of the properties we lease from third-parties are subject to automatic renewal or extension options.

For the year ended December 31, 2011 revenues from rental properties included \$109.1 million of rent contractually due or received with respect to 1,154 average rental properties held during the year or an average annual rent contractually due or received of approximately \$95,000 per rental property. For the year ended December 31, 2010 revenues from rental properties included \$86.7 million of rent contractually due or received with respect to 1,062 average rental properties held during the year or an average annual rent contractually due or received of approximately \$82,000 per rental property. Following completion of the repositioning process, we expect the revenue realized from the properties that were subject to the Master Lease to be less than the contractual rent received under the Master Lease.

Rental unit expirations and the annualized contractual rent as of December 31, 2011 are as follows (in thousands, except for the number of rental units data):

| CALENDAR YEAR | NUMBER OF<br>RENTAL<br>UNITS<br>EXPIRING (b) | ANNUALIZED CONTRACTUAL RENT (a)                    |                  |            | PERCENTAGE<br>OF TOTAL<br>ANNUALIZED<br>RENT |
|---------------|----------------------------------------------|----------------------------------------------------|------------------|------------|----------------------------------------------|
|               |                                              | PROPERTIES<br>SUBJECT<br>TO<br>THE MASTER<br>LEASE | OTHER<br>TENANTS | TOTAL      |                                              |
| 2012          | 41                                           | \$ 1,794                                           | \$ 1,097         | \$ 2,891   | 2.79%                                        |
| 2013          | 19                                           | 652                                                | 1,141            | 1,793      | 1.73                                         |
| 2014          | 26                                           | 744                                                | 1,702            | 2,446      | 2.36                                         |
| 2015          | 765                                          | 55,779                                             | 409              | 56,188     | 54.27                                        |
| 2016          | 11                                           |                                                    | 1,019            | 1,019      | 0.98                                         |
| 2017          | 7                                            |                                                    | 771              | 771        | 0.75                                         |
| 2018          | 11                                           |                                                    | 1,543            | 1,543      | 1.49                                         |
| 2019          | 51                                           |                                                    | 5,121            | 5,121      | 4.95                                         |
| 2020          | 32                                           |                                                    | 3,765            | 3,765      | 3.64                                         |
| 2021          | 27                                           |                                                    | 2,459            | 2,459      | 2.38                                         |
| Thereafter    | 159                                          |                                                    | 25,530           | 25,530     | 24.66                                        |
| Total         | 1,149                                        | \$ 58,969                                          | \$ 44,557        | \$ 103,526 | 100.00%                                      |

- (a) Represents the monthly contractual rent due from tenants under existing leases as of December 31, 2011 multiplied by 12, including the contractual rent due from Marketing through December 8, 2015 without giving effect to the early termination of the Master Lease provided for in the Stipulation. This amount excludes real estate tax reimbursements which are billed to the tenant when paid.
- (b) Rental units include properties subdivided into multiple premises with separate tenants. Rental units also include individual properties comprising a single premises as such term is defined under a unitary master lease related to such properties. With respect to a unitary master lease that includes properties that we lease from third-parties, the expiration dates for rental units refers to the dates that the leases with the third-parties expire and upon which date our tenant must vacate those properties, not the expiration date of the unitary master lease itself.

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In the opinion of our management, our owned and leased properties are adequately covered by casualty and liability insurance. In addition, we require our tenants to provide insurance for all properties they lease from us, including casualty, liability, fire and extended coverage in amounts and on other terms satisfactory to us. As part of the repositioning of the properties subject to the Master Lease, we are evaluating potential capital expenditures and funding sources. We have no current plans to make material improvements to any of our properties other than the properties subject to the Master Lease. However, our tenants frequently make improvements to the properties leased from us at their expense. We are not aware of any material liens or encumbrances on any of our properties.

As of December 31, 2011, Marketing was not operating any of the nine terminals it leases from us and had removed the underground storage tanks and related equipment at approximately 160 of our retail properties. We intend either to re-let or sell properties that are subject to the Master Lease and reinvest sales proceeds realized in new properties. With respect to the nine terminals, it may be costly and time consuming for us or potential tenants or buyers to upgrade the terminal facilities to competitive standards within the industry, obtain or renew operating permits and attract customers to store their petroleum products at these locations. With respect to retail properties that are vacant or have had underground storage tanks and related equipment removed, it may be more difficult or costly to re-let or sell such properties as gas stations because of capital costs or possible zoning or permitting rights that are required and that may have lapsed during the period since gasoline was last sold at the property. Conversely, it may be easier to re-let or sell properties where underground storage tanks and related equipment have been removed if the property will not be used as a retail motor fuel outlet or if environmental contamination has been or is being remediated. Although we are the fee or leasehold owner of the properties subject to the Master Lease and the owner of the Getty® brand, and have prior experience with tenants who operate their gas stations, convenience stores, automotive repair services or other businesses at our properties, we cannot predict if, when or on what terms such properties could be re-let or sold.

We are continuing our efforts to sell approximately 160 properties that have previously had their underground storage tanks removed and nine petroleum distribution terminals although alternatively we may seek to re-let some of these properties and terminals. While we have dedicated considerable effort designed to increase sales and leasing activity, we cannot predict the timing or the terms of any such dispositions.

Since the Master Lease was structured as a triple-net lease, Marketing (as the lessee) had the responsibility for the maintenance, repair, real estate taxes, insurance and general upkeep of these properties ( Property Expenditures ) during the term of the Master Lease. Marketing has failed to meet many of its obligations to undertake the Property Expenditures related to our properties. In addition to having to incur the costs of the Property Expenditures, Marketing did not pay any additional Property Expenditures for the period after termination of the Master Lease. Also, in the course of repositioning the properties, we expect to incur significant costs over a period of years to upgrade the properties to competitive standards within the industry for required renovations, replacement of underground storage tanks and related equipment or environmental remediation, zoning and permitting ( Capital Improvements ). We anticipate incurring significant Property Expenditures and Capital Improvement costs. It is also possible that our estimates for environmental remediation and tank removal expenses relating to these properties will be higher than the Marketing Environmental Liabilities that we have accrued and that issues involved in re-letting or repositioning these properties may require significant management attention that would otherwise be devoted to other segments of our ongoing business.

### **Item 3. Legal Proceedings**

We are engaged in a number of legal proceedings, many of which we consider to be routine and incidental to our business. The following is a description of material legal proceedings, including those involving private parties and governmental authorities under federal, state and local laws regulating the discharge of materials into the environment. We are vigorously defending all of the legal proceedings involving us, including each of the legal proceedings matters listed below.

In 1991, the State of New York commenced an action in the Supreme Court, Albany County, against Kingston Oil Supply Corp. (our former heating oil subsidiary), Charles Baccaro and Amos Post, Inc. The action seeks recovery for reimbursement of investigation and remediating costs incurred by the New York Environmental Protection and Spill Compensation Fund, together with interest and statutory penalties under the New York Navigation Law. We answered the complaint on behalf of Kingston Oil Supply Corp. and Amos Post Inc. Thereafter, from approximately 1993 to November 2011, the case remained dormant except for a brief period in 2002 when the State of New York indicated an intention to prosecute the lawsuit. In November 2011, the State of New York recommenced efforts to pursue its claims against us for reimbursement of costs, interest and statutory penalties under the Navigation Law. We are asserting defenses to liability and to damages.

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In September 2004, the State of New York commenced an action against us, United Gas Corp., Costa Gas Station, Inc., The Ingraham Bedell Corporation, Exxon Mobil Corporation, Shell Oil Company, Shell Oil Products Company, Motiva Enterprises, LLC, and related parties, in New York Supreme Court in Albany County seeking recovery for reimbursement of investigation and remediation costs claimed to have been incurred by the New York Environmental Protection and Spill Compensation Fund relating to contamination it alleges emanated from various retail motor fuel properties located in the same vicinity in Uniondale, N.Y., including a site formerly owned by us and at which a petroleum release and cleanup occurred. The complaint also seeks future costs for remediation, as well as interest and penalties. We have served an answer to the complaint denying responsibility. Discovery in this case is ongoing.

In October 2007, we received a demand from the State of New York to pay costs allegedly arising from investigation and remediation of petroleum spills that occurred at a property formerly owned by us and taken by eminent domain by the State of New York in 1991. We responded to the State of New York's demand and denied responsibility for reimbursement of such costs. In August 2010, the State of New York commenced a lawsuit in New York Supreme Court, Albany County against us, Bryant Taconic Corp. and related parties seeking damages under the New York Navigation Law. We have interposed an answer asserting numerous affirmative defenses. Discovery in this case is ongoing.

In September 2008, we received a directive and notice of violation from the New Jersey Department of Environmental Protection ( NJDEP ) calling for a remedial investigation and cleanup, to be conducted by us and Gary and Barbara Galliker, individually and trading as Millstone Auto Service, Auto Tech, and other named parties, of petroleum-related contamination found at a retail motor fuel property located in Millstone Township, New Jersey. We did not own or lease this property, but did supply gas to the operator of this property in 1985 and 1986. We responded to the NJDEP, denying liability. In November 2009, the NJDEP issued an Administrative Order and Notice of Civil Administrative Penalty Assessment (the Order and Assessment ) to us, Marketing and Gary and Barbara Galliker, individually and trading as Millstone Auto Service. We have filed a request for a hearing to contest the allegations of the Order and Assessment. The hearing request was granted in February 2010, but the date of the hearing has not yet been scheduled.

In November 2009, an action was commenced by the State of New York in the Supreme Court, Albany County, seeking the recovery of costs incurred in remediating alleged petroleum contamination down gradient of a gasoline station formerly owned by us, and gasoline stations that were allegedly owned or operated by other named defendants, including M&A Realty, Inc., Gas Land Petroleum, Inc., and Mid-Valley Oil Company. We answered the complaint, denying liability and asserting affirmative defenses and cross claims against co-defendants. We have also tendered the matter to M&A Realty Inc. for defense and indemnification as relates to discharges of petroleum that were reported on or after July 1994 at the site which is the subject of allegations against us. This site was leased by us to M & A Realty Inc. in 1994 and sold to M & A Realty Inc. in 2002. M&A Realty Inc. demanded defense and indemnity from us for contamination at this site as of 1994. The State of New York has also commenced a separate but related action in the Supreme Court, Albany County, against us and M&A Realty, Inc. seeking recovery of costs for clean-up of petroleum contamination at the site of the gas station which is the subject of allegations against us and M&A Realty, Inc. in the first action. We answered the complaint, denying liability and asserting affirmative defenses and cross claims against M&A Realty, Inc. We also tendered the matter to M&A Realty, Inc. for indemnity on the same basis as in the first action, and M&A Realty, Inc. likewise has demanded defense and indemnity from us on the same basis as it put forth in the first action. Discovery in these cases is ongoing.

### *State Court Litigation with Marketing*

On August 23, 2011, Marketing served us with a Notice of Failure to Perform and Intent to Offset , alleging that we failed to comply with our remediation obligations under the Master Lease and that Marketing was exercising its right of offset under the Master Lease and would not pay rent for the months of October and November 2011. Thereafter, Marketing failed to make the rent payment due under the Master Lease on October 1, 2011. On October 3, 2011, we served Marketing with a Notice of Default requiring the rent to be paid and advising Marketing that if it failed to do so, we would terminate the Master Lease.

On or about October 6, 2011, Marketing commenced an action against us in the Supreme Court of the State of New York, County of New York, entitled *Getty Petroleum Marketing, Inc. v. Getty Properties Corp. and Gettymart Inc.*, seeking, among other things, judgments declaring that Marketing was not in default of its obligations under the Master Lease and that our Notice of Default was null and void. On or about October 7, 2011, Marketing moved for a *Yellowstone* injunction seeking, among other things, to enjoin us from terminating the Master Lease.

By Order dated October 14, 2011 (the 10/14 Order ), the Supreme Court of the State of New York granted Marketing's motion, conditioned upon Marketing paying, on or before October 17, 2011, \$4.0 million to us and depositing \$0.9 million into escrow with the Court. Marketing complied with the 10/14 Order and made both payments.

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On or about November 2, 2011, we served Marketing with another Notice of Default because Marketing failed to pay the rent due November 1, 2011. On or about November 10, 2011, Marketing filed a motion in the New York State Supreme Court for another *Yellowstone* injunction seeking, among other things, to enjoin us from terminating the Master Lease. By Interim Order, entered November 10, 2011, Marketing's motion was granted, conditioned upon Marketing (a) paying, on or before November 16, 2011, \$4.6 million to us; (b) depositing \$0.3 million into escrow; and (c) withdrawing \$0.6 million out of the \$0.9 million paid into escrow and paying it to us. Marketing did not comply with any of these conditions. By Notice of Termination, dated November 29, 2011, we terminated the Master Lease, effective December 12, 2011. On December 5, 2011, Marketing filed a Notice of Discontinuance with the New York State Supreme Court, discontinuing the lawsuit it originally filed. On the same day, Marketing filed for Chapter 11 protection in the United States Bankruptcy Court for Southern District of New York. Since \$0.9 million remains deposited in escrow with Supreme Court, the procedural issue of the release of these monies is the only remaining issue in the New York State Supreme Court action. (For additional information regarding Marketing and the Master Lease, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – General – Marketing and the Master Lease.)

*Marketing's Bankruptcy*

On December 5, 2011, Marketing filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the Southern District of New York. On December 20, 2011, we filed a motion with the Bankruptcy Court to compel Marketing to comply with its post-bankruptcy obligations under the Master Lease, or in the alternative to pay for its post-bankruptcy use and occupancy of the leased premises. On January 10, 2012, the Bankruptcy Court ordered Marketing to comply with any post-bankruptcy obligations under the Master Lease then due, including the obligations to pay fixed rent and real estate taxes (the January Order). Pursuant to the January Order, Marketing agreed to pay \$2.5 million to us on January 12, 2012, \$0.5 million on January 17, 2012, and all other amounts due under the Master Lease on account of unpaid post-bankruptcy obligations by February 5, 2012. In addition, Marketing agreed to pay to us subtenant rents promptly upon its receipt of same from its largest subtenant.

After paying a portion of the amounts due under the January Order, Marketing informed us that it was unable to comply with its remaining obligations under the Master Lease. Marketing, the Company and the Official Committee of Unsecured Creditors in the Bankruptcy proceedings entered into a Stipulation on March 7, 2012 (the Stipulation), subject to Bankruptcy Court approval, that defers to April 30, 2012 the balance of the unpaid fixed rent for the months of January through March 2012 and a portion of the fixed rent that will become due on or before April 1, 2012. As a separate matter, we have been paying certain real estate taxes allocable to periods after December 5, 2011, relating to the properties subject to the Master Lease, which taxes are the obligation of Marketing under the Master Lease. The Stipulation also provides a deadline for Marketing to assume or reject the lease of April 30, 2012. At any time before rejection of the Master Lease, we may take back individual or groups of properties subject to the Master Lease for the purpose of re-leasing, selling, licensing or otherwise disposing of them, subject to adjustments in fixed rent due under the Master Lease, and upon rejection of the Master Lease we will regain possession of all remaining properties then subject to the Master Lease. In addition, the Stipulation caps the aggregate amount of our administrative priority claims accrued under the Master Lease from December 5, 2011 through April 30, 2012 at \$10.5 million, plus interest accruing from May 1, 2012 and any transfer taxes. The Stipulation is scheduled to be heard by the Bankruptcy Court on April 2, 2012. No assurances can be given that the Stipulation will be approved by the Bankruptcy Court. (For additional information regarding Marketing and the Master Lease, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – General – Marketing and the Master Lease.)

*MTBE Litigation*

During 2010, we were defending 53 lawsuits brought on behalf of private and public water providers and governmental agencies located in Connecticut, Florida, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont, Virginia, and West Virginia. A majority of these cases were among the more than one hundred cases that were transferred from various state and federal courts throughout the country and consolidated in the United States District Court for the Southern District of New York for coordinated Multi-District Litigation (MDL) proceedings. The balance of these cases against us were pending in the Supreme Court of New York, Nassau County. All of the cases against us alleged (and, as described below with respect to one remaining case, continue to allege) various theories of liability due to contamination of groundwater with methyl tertiary butyl ether (a fuel derived from methanol, commonly referred to as MTBE) as the basis for claims seeking compensatory and punitive damages. The cases named us as a defendant along with approximately fifty petroleum refiners, manufacturers, distributors and retailers of MTBE, or gasoline containing MTBE, including Irving Oil Corporation, Mobil Oil Corporation, Sunoco, Inc., Texaco, Inc., Tosco Corporation, Unocal Corporation, Valero Energy Corporation, Marathon Oil Company, Shell Oil Company, Giant Yorktown, Inc., BP Amoco Chemical Company, Inc., Atlantic Richfield Company, Coastal Oil New England, Inc., Chevron Texaco Corporation, Amerada Hess Corp., Chevron U.S.A., Inc., CITGO Petroleum Corporation, ConocoPhillips Company, Exxon Mobil Corporation, Getty Petroleum

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Marketing Inc., and Gulf Oil Limited Partnership. During 2010, we reached agreements to settle two plaintiff classes covering 52 of the 53 pending cases. A settlement payment of \$1.3 million was made during the third quarter of 2010 covering 27 cases and a settlement payment of \$0.5 million was made during the first quarter of 2011 covering 25 cases. Presently we remain a defendant in one MTBE case involving multiple locations throughout the State of New Jersey brought by various governmental agencies of the State of New Jersey, including the NJDEP. This case is still in discovery stages.

We have provided a litigation reserve as to the remaining MDL case pending against us, however, there remains uncertainty as to the accuracy of the allegations in this MTBE case as they relate to us, our defenses to the claims, and the aggregate possible amount of damages for which we might be held liable.

### *Matters related to our Newark, New Jersey Terminal and the Lower Passaic River*

In September 2003, we received a directive (the Directive) issued by the NJDEP under the New Jersey Spill Compensation and Control Act. The Directive indicated that we are one of approximately 66 potentially responsible parties for alleged Natural Resource Damages (NRD or NRDs) resulting from the discharges of hazardous substances along the lower Passaic River (the Lower Passaic River). Other named recipients of the Directive are 360 North Pastoria Environmental Corporation, Amerada Hess Corporation, American Modern Metals Corporation, Apollo Development and Land Corporation, Ashland Inc., AT&T Corporation, Atlantic Richfield Assessment Company, Bayer Corporation, Benjamin Moore & Company, Bristol Myers-Squibb, Chemical Land Holdings, Inc., Chevron Texaco Corporation, Diamond Alkali Company, Diamond Shamrock Chemicals Company, Diamond Shamrock Corporation, Dilorenzo Properties Company, Dilorenzo Properties, L.P., Drum Service of Newark, Inc., E.I. Dupont De Nemours and Company, Eastman Kodak Company, Elf Sanofi, S.A., Fine Organics Corporation, Franklin-Burlington Plastics, Inc., Franklin Plastics Corporation, Freedom Chemical Company, H.D. Acquisition Corporation, Hexcel Corporation, Hilton Davis Chemical Company, Kearny Industrial Associates, L.P., Lucent Technologies, Inc., Marshall Clark Manufacturing Corporation, Maxus Energy Corporation, Monsanto Company, Motor Carrier Services Corporation, Nappwood Land Corporation, Noveon Hilton Davis Inc., Occidental Chemical Corporation, Occidental Electro-Chemicals Corporation, Occidental Petroleum Corporation, Oxy-Diamond Alkali Corporation, Pitt-Consol Chemical Company, Plastics Manufacturing Corporation, PMC Global Inc., Propane Power Corporation, Public Service Electric & Gas Company, Public Service Enterprise Group, Inc., Purdue Pharma Technologies, Inc., RTC Properties, Inc., S&A Realty Corporation, Safety-Kleen Envirosystems Company, Sanofi S.A., SDI Divestiture Corporation, Sherwin Williams Company, SmithKline Beecham Corporation, Spartech Corporation, Stanley Works Corporation, Sterling Winthrop, Inc., STWB Inc., Texaco Inc., Texaco Refining and Marketing Inc., Thomasset Colors, Inc., Tierra Solution, Incorporated, Tierra Solutions, Inc., and Wilson Five Corporation.

The Directive provided, among other things, that the recipients thereof must conduct an assessment of the natural resources that have been injured by the discharges into the Lower Passaic River and must implement interim compensatory restoration for the injured natural resources. NJDEP alleges that our liability arises from alleged discharges originating from our Newark, New Jersey Terminal site. We responded to the Directive by asserting that we were not liable. There has been no material activity and/or communications by NJDEP with respect to the Directive since early after its issuance.

Effective May 2007, the United States Environmental Protection Agency (EPA) entered into an Administrative Settlement Agreement and Order on Consent (AOC) with over 70 parties comprising a Cooperating Parties Group (CPG) (many of whom are also named in the Directive) who have collectively agreed to perform a Remedial Investigation and Feasibility Study (RI/FS) for the Lower Passaic River. We are a party to the AOC and are a member of the CPG. The RI/FS is intended to address the investigation and evaluation of alternative remedial actions with respect to alleged damages to the Lower Passaic River, and is scheduled to be completed in or about 2015. In connection with the RI/FS work, the CPG has sampled river sediments at river mile 10.9. Based on the results of such sampling, the EPA may require interim remediation activities at river mile 10.9 prior to the completion of the RI/FS, although the scope and allocation of costs for such activities is not known at this time. The RI/FS does not resolve liability issues for remedial work or restoration of, or compensation for, natural resource damages to the Lower Passaic River, which are not known at this time. As to such matters, separate proceedings or activities are currently ongoing.

In a related action, in December 2005, the State of New Jersey through various state agencies brought suit in the Superior Court of New Jersey, Law Division, against certain parties to the Directive, Occidental Chemical Corporation, Tierra Solutions, Inc., Maxus Energy Corporation and related entities which the State of New Jersey alleges are responsible for various categories of past and future damages resulting from discharges of hazardous substances to the Passaic River by a manufacturing facility located on Lister Avenue in Newark, NJ. In February 2009, certain of these defendants filed third-party complaints against approximately 300 additional parties, including us and other members of the CPG, seeking contribution for such parties' proportionate share of response costs, cleanup and removal costs, and other damages, based on their relative contribution to pollution of the Passaic River and adjacent bodies of water. We have answered the complaint, denying responsibility for any discharges of hazardous substances released into the Passaic River. The litigation is still in a pre-trial stage with a significant amount of discovery remaining, particularly as to third-parties.



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We have made a demand upon Chevron/Texaco for indemnity under certain agreements between us and Chevron/Texaco that allocate environmental liabilities for the Newark Terminal site between the parties. In response, Chevron/Texaco has asserted that the proceedings and claims are still not yet developed enough to determine the extent to which indemnities apply. We are engaged in discussions with Chevron/Texaco regarding our demands for indemnification, and, to facilitate said discussions, in October 2009 entered into a Tolling/Standstill Agreement which tolls all claims by and among Chevron/Texaco and us that relate to the various Lower Passaic River matters from May 8, 2007, until either party terminates such Tolling/Standstill Agreement.

Our ultimate liability, if any, in the pending and possible future proceedings pertaining to the Lower Passaic River is uncertain and subject to numerous contingencies which cannot be predicted and the outcome of which are not yet known.

**Item 4. Mine Safety Disclosures**

None.

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Capital Stock**

Our common stock is traded on the New York Stock Exchange (symbol: GTY ). There were approximately 18,100 beneficial holders of our common stock as of March 15, 2012, of which approximately 1,200 were holders of record. The price range of our common stock and cash dividends declared with respect to each share of common stock during the years ended December 31, 2011 and 2010 was as follows:

| QUARTER ENDED      | PRICE RANGE |          | CASH                   |
|--------------------|-------------|----------|------------------------|
|                    | HIGH        | LOW      | DIVIDENDS<br>PER SHARE |
| March 31, 2010     | \$ 24.68    | \$ 20.76 | \$ .4750               |
| June 30, 2010      | 25.59       | 15.52    | .4750                  |
| September 30, 2010 | 27.27       | 21.30    | .4800                  |
| December 31, 2010  | 32.20       | 26.33    | .4800                  |
| March 31, 2011     | 31.89       | 21.01    | .4800                  |
| June 30, 2011      | 26.47       | 22.75    | .4800                  |
| September 30, 2011 | 26.33       | 14.42    | .2500                  |
| December 31, 2011  | 16.74       | 12.22    | .2500                  |

For a discussion of potential limitations on our ability to pay future dividends see Item 1A. Risk Factors We may change our dividend policy and the dividends we pay may be subject to significant volatility, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources .

**Issuer Purchases of Equity Securities**

None.

**Sales of Unregistered Securities**

None.

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### Stock Performance Graph

We have chosen as our Peer Group the following companies: National Retail Properties, Entertainment Properties Trust, Realty Income Corp. and Hospitality Properties Trust. We have chosen these companies as our Peer Group because a substantial segment of each of their businesses is owning and leasing commercial properties. We cannot assure you that our stock performance will continue in the future with the same or similar trends depicted in the graph above. We do not make or endorse any predictions as to future stock performance.

This performance graph and related information shall not be deemed filed for the purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section and shall not be deemed to be incorporated by reference into any filing that we make under the Securities Act or the Exchange Act.

|                      | 12/31/2006 | 12/31/2007 | 12/31/2008 | 12/31/2009 | 12/31/2010 | 12/31/2011 |
|----------------------|------------|------------|------------|------------|------------|------------|
| Getty Realty Corp.   | 100.00     | 92.35      | 80.78      | 99.10      | 138.83     | 66.83      |
| Standard & Poors 500 | 100.00     | 105.49     | 66.46      | 84.04      | 96.70      | 98.74      |
| Peer Group           | 100.00     | 89.00      | 66.89      | 89.64      | 115.72     | 123.14     |

Assumes \$100 invested at the close of the last day of trading on the New York Stock Exchange on December 29, 2006 in Getty Realty Corp. common stock, Standard & Poors 500, and Peer Group.

\* Cumulative total return assumes reinvestment of dividends.

**Table of Contents****Item 6. Selected Financial Data****GETTY REALTY CORP. AND SUBSIDIARIES****SELECTED FINANCIAL DATA**

(in thousands, except per share amounts and number of properties)

|                                                                     | FOR THE YEARS ENDED DECEMBER 31, |            |            |            |            |
|---------------------------------------------------------------------|----------------------------------|------------|------------|------------|------------|
|                                                                     | 2011(a)                          | 2010       | 2009(b)    | 2008       | 2007(c)    |
| <b>OPERATING DATA:</b>                                              |                                  |            |            |            |            |
| Total Revenues                                                      | \$ 112,876                       | \$ 88,192  | \$ 84,170  | \$ 82,386  | \$ 77,180  |
| Earnings from continuing operations                                 | 11,610(d)                        | 49,971     | 41,439     | 38,284     | 27,115(e)  |
| Earnings from discontinued operations                               | 846                              | 1,729      | 5,610      | 3,526      | 6,779(e)   |
| Net earnings                                                        | 12,456                           | 51,700     | 47,049     | 41,810     | 33,894     |
| Diluted earnings per common share:                                  |                                  |            |            |            |            |
| Earnings from continuing operations                                 | 0.34                             | 1.78       | 1.67       | 1.54       | 1.09       |
| Net earnings                                                        | 0.37                             | 1.84       | 1.89       | 1.68       | 1.37       |
| Diluted weighted-average common shares outstanding                  | 33,172                           | 27,953     | 24,767     | 24,767     | 24,769     |
| Cash dividends declared per share                                   | 1.46                             | 1.91       | 1.89       | 1.87       | 1.85       |
| <b>FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATION (f):</b> |                                  |            |            |            |            |
| Net earnings                                                        | 12,456                           | 51,700     | 47,049     | 41,810     | 33,894     |
| Depreciation and amortization of real estate assets                 | 10,336                           | 9,738      | 11,027     | 11,875     | 9,794      |
| Gains on dispositions of real estate                                | (968)                            | (1,705)    | (5,467)    | (2,787)    | (6,179)    |
| Impairment charges                                                  | 20,226                           |            | 1,135      |            |            |
| Funds from operations                                               | 42,050                           | 59,733     | 53,744     | 50,898     | 37,509     |
| Revenue Recognition Adjustments                                     | (1,163)                          | (1,487)    | (2,065)    | (2,593)    | (4,159)    |
| Allowance for deferred rental revenue                               | 19,758                           |            |            |            | 10,494     |
| Acquisition costs                                                   | 2,034                            |            |            |            |            |
| Adjusted funds from operations                                      | 62,679                           | 58,246     | 51,679     | 48,305     | 43,844     |
| <b>BALANCE SHEET DATA (AT END OF YEAR):</b>                         |                                  |            |            |            |            |
| Real estate before accumulated depreciation and amortization        | \$ 615,854                       | \$ 504,587 | \$ 503,874 | \$ 473,567 | \$ 474,254 |
| Total assets                                                        | 635,089                          | 423,178    | 428,990    | 387,813    | 396,911    |
| Debt                                                                | 170,510                          | 64,890     | 175,570    | 130,250    | 132,500    |
| Shareholders' equity                                                | 372,169                          | 314,935    | 207,669    | 205,897    | 212,178    |
| <b>NUMBER OF PROPERTIES:</b>                                        |                                  |            |            |            |            |
| Owned                                                               | 996                              | 907        | 910        | 878        | 880        |
| Leased                                                              | 153                              | 145        | 161        | 182        | 203        |
| Total properties                                                    | 1,149                            | 1,052      | 1,071      | 1,060      | 1,083      |

(a) Includes (from the respective dates of the acquisition) the effect of the \$111.6 million acquisition of 59 Mobil-branded gasoline station and convenience store properties in a sale/leaseback and loan transaction with CPD NY Energy Corp. which were acquired on January 13, 2011 and the effect of the \$87.0 million acquisition of 66 Shell-branded gasoline station and convenience store properties in a sale/leaseback transaction with Nouria Energy Ventures I, LLC which were acquired on March 31, 2011.

(b) Includes (from the date of the acquisition) the effect of the \$49.0 million acquisition of the real estate assets and improvements of 36 convenience store properties from White Oak Petroleum LLC which were acquired on September 25, 2009.

(c)

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- Includes (from the date of the acquisition) the effect of the \$84.5 million acquisition of convenience store and gas station properties from FF-TSY Holding Company II LLC (successor to Truststreet Properties, Inc.) which was substantially completed by the end of the first quarter of 2007.
- (d) Includes the effect of a \$19.8 million non-cash deferred rent receivable reserve, the effect of a \$8.8 million accounts receivable reserve, and the effect of a \$20.2 million impairment charge, which are included in earnings from continuing operations related to certain properties leased to Marketing under the Master Lease (For additional information regarding Marketing and the Master Lease, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - General - Marketing and the Master Lease.)
  - (e) Includes the effect of a \$10.5 million non-cash deferred rent receivable reserve, \$10.2 million of which is included in earnings from continuing operations and \$0.3 million of which is included in earnings from discontinued operations, based on the deferred rent receivable related to certain properties under leases Marketing.
  - (f) In addition to measurements defined by accounting principles generally accepted in the United States of America ( GAAP ), our management also focuses on funds from operations ( FFO ) and adjusted funds from operations ( AFFO ) to measure our performance. FFO is generally considered to be an appropriate supplemental non-GAAP measure of the performance of real estate investment trusts ( REITs ). In accordance with the National Association of Real Estate Investment Trusts' modified guidance for reporting FFO, we have restated reporting of FFO to exclude non-cash impairment charges. FFO is defined by the National Association of Real Estate Investment Trusts as net earnings before depreciation and amortization of real estate assets, gains or losses on dispositions of real estate (including such non-FFO items reported in discontinued operations), non-cash impairment charges, extraordinary items, and cumulative effect of accounting change. Other REITs may use definitions of FFO and/or AFFO that are different than ours and; accordingly, may not be comparable. We believe that FFO and AFFO are helpful to investors in measuring our performance because both FFO and AFFO exclude various items included in GAAP net earnings that do not relate to, or are not indicative of, our fundamental operating performance. FFO excludes various items such as gains or losses from property dispositions, depreciation and amortization of real estate assets, and non-cash impairment charges. In our case, however, GAAP net earnings and FFO typically include the impact of deferred rental revenue (straight-line rental revenue), the net amortization of above-market and below-market leases and income recognized from direct financing leases on the recognition of revenue from rental properties (collectively the Revenue Recognition Adjustments ), as offset by the impact of related collection reserves. GAAP net earnings and FFO from time to time may also include other unusual or infrequently occurring items. Deferred rental revenue results primarily from fixed rental increases scheduled under certain leases with our tenants. In accordance with GAAP, the aggregate minimum rent due over the current term of these leases are recognized on a straight-line (or an average) basis rather than when the payment is contractually due. The present value of the difference between the fair market rent and the contractual rent for in-place leases at the time properties are acquired is amortized into revenue from rental properties over the remaining lives of the in-place leases. Income from direct financing leases is recognized over the lease terms using the effective interest method which produces a constant periodic rate of return on the net investments in the leased properties.

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Management pays particular attention to AFFO, a supplemental non-GAAP performance measure that we define as FFO less Revenue Recognition Adjustments, allowance for deferred rental revenue, acquisition costs, and other unusual or infrequently occurring items. In management's view, AFFO provides a more accurate depiction than FFO of our fundamental operating performance related to: (i) the impact of scheduled rent increases from operating leases; (ii) the rental revenue from acquired in-place leases; (iii) the impact of rent due from direct financing leases; and (iv) the impact of other unusual or infrequently occurring items. Neither FFO nor AFFO represent cash generated from operating activities calculated in accordance with GAAP and therefore these measures should not be considered an alternative for GAAP net earnings or as a measure of liquidity.

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### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with the Cautionary Note Regarding Forward-Looking Statements; the sections in Part II entitled Item 1A. Risk Factors; the selected financial data in Item 6. Selected Financial Data; and the consolidated financial statements and related notes in Item 8. Financial Statements and Supplementary Data.

#### **GENERAL**

##### ***Real Estate Investment Trust***

We are a real estate investment trust (REIT) specializing in the ownership, leasing and financing of retail motor fuel and convenience store properties and petroleum distribution terminals. We elected to be treated as a REIT under the federal income tax laws beginning January 1, 2001. As a REIT, we are not subject to federal corporate income tax on the taxable income we distribute to our shareholders. In order to continue to qualify for taxation as a REIT, we are required, among other things, to distribute at least ninety percent of our ordinary taxable income to our shareholders each year.

##### ***Retail Petroleum Marketing Business***

We lease or sublet our properties primarily to distributors and retailers engaged in the sale of gasoline and other motor fuel products, convenience store products and automotive repair services. These tenants are responsible for the operations conducted at these properties and for the payment of taxes, maintenance, repair, insurance and other operating expenses relating to our properties. Our tenants' financial results are largely dependent on the performance of the petroleum marketing industry, which is highly competitive and subject to volatility. In those instances where we determine that the best use for a property is no longer as a retail motor fuel outlet, we will seek an alternative tenant or buyer for the property. We lease or sublet approximately 20 of our properties for uses such as fast food restaurants, automobile sales and other retail purposes. (For additional information regarding our real estate business and our properties, see Item 1. Business Real Estate Business and Item 2. Properties.) (For information regarding factors that could adversely affect us relating to our lessees, including Marketing, see Item 1A. Risk Factors.)

##### ***Marketing and the Master Lease***

As of December 31, 2011, 797, or 69% of our 1,149 properties are subject to the Master Lease. A substantial portion of our total revenues (55% for the year ended December 31, 2011), are derived from properties subject to the Master Lease. Substantially all of our tenants' financial results depend on sale of refined petroleum products and rental income from their subtenants. Our tenants' subtenants either operate their gas stations, convenience stores, automotive repair services or other businesses at our properties or are petroleum distributors who operate our properties directly or sublet our properties to the operators. (For additional information regarding the historical portion of our financial results that are attributable to Marketing, see note 12 in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements.)

Marketing was formed to facilitate the spin-off of our petroleum marketing business to our shareholders which was completed in 1997. Marketing was acquired by a U.S. subsidiary of OAO LUKoil (Lukoil), one of the largest integrated Russian oil companies, in December 2000. In connection with Lukoil's acquisition of Marketing, we renegotiated our long-term unitary triple-net lease with Marketing. On February 28, 2011, Lukoil, transferred its ownership interest in Marketing to Cambridge Petroleum Holding Inc. (Cambridge).

From August through December 2011, Marketing did not pay monthly fixed rent to us on the first of the month, as required by the terms of the Master Lease. Following each such nonpayment event, we delivered a default notice to Marketing, and, for the months of August and September 2011, Marketing cured its default by payment of the outstanding monthly fixed rent installment with applicable interest.

In August 2011, Marketing delivered a notice to us stating its intent to offset rent due under the Master Lease based upon allegations of nonperformance by us of certain environmental remediation obligations allegedly required to be performed by us pursuant to the terms of the Master Lease. We considered Marketing's notice to be without merit and filed a lawsuit in New York State Supreme Court to stop Marketing from offsetting rent. (see Item 3. Legal Proceedings for additional information with respect to this lawsuit and related claims). At about the same time, we also issued a separate notice of default against Marketing for various violations of the Master Lease, including nonpayment of certain real estate taxes attributable to properties subject to the Master Lease.

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In October 2011, the New York State Supreme Court ordered Marketing to pay \$4.0 million of October's fixed rent to us and the balance (\$0.9 million) into escrow, pending resolution of Marketing's claims. Marketing complied with this court order and made the required payments. In November 2011, Marketing again withheld rent on the purported basis of its offset notice, and in mid-November 2011 the New York State Supreme Court again ordered Marketing to pay the majority of November 2011 rent to us and the balance into escrow. On appeal by Marketing, the New York State Appellate Division stayed the lower court order, but ordered Marketing to pay the entire amount of fixed rent for November 2011 (\$4.9 million) into escrow by November 28, 2011. Marketing failed to comply with the terms of the Appellate Division order and pay the amount of November 2011 fixed rent into escrow on November 28, 2011. Consequently, we issued a notice to Marketing terminating the Master Lease which, pursuant to the terms of the Master Lease and such notice, terminated the Master Lease as of December 12, 2011. On December 5, 2011, Marketing filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court, Southern District of New York (the "Bankruptcy Court").

Based on information available to us as of the date of this Annual Report on Form 10-K, we estimate Marketing's accrued obligations to us as of the date Marketing made its bankruptcy filing to be approximately \$8.8 million. This aggregate amount consists primarily of unpaid fixed rent and real estate taxes (including real estate taxes that we began paying in the first quarter of 2012, which taxes Marketing historically paid directly) and to a lesser extent other property-related expenses which are Marketing's responsibility pursuant to the Master Lease. These unpaid obligations are considered pre-petition claims and subject to discharge by Marketing in its bankruptcy proceedings. We do not expect to collect on any of these pre-petition claims and we have fully reserved the amount due from Marketing for such claims.

Shortly after filing for bankruptcy, Marketing filed an adversary complaint in the Bankruptcy Court against us, pursuant to which it sought to withhold post-petition rent on the basis of its continued assertion that we failed to perform certain environmental remediation obligations. On January 10, 2012, the Bankruptcy Court rejected Marketing's offset claims and ordered Marketing to comply with all of its post-petition obligations under the Master Lease, including payment of fixed rent and real estate taxes (the "Order"). Under the Order, the Bankruptcy Court set a payment schedule wherein all post-petition amounts due to us, including rent for December 2011 and January 2012, would be paid by February 5, 2012. These post-petition amounts due to us, as landlord, under the Order are considered administrative claims which have priority over other creditors' claims.

Following the issuance of the Order, Marketing disclosed its financial condition to us and to other constituents in the bankruptcy proceedings, which showed Marketing's debilitated financial condition. It became evident that Marketing did not and would not have the funds available from operations and would not otherwise obtain financing needed to meet all of its post-petition financial obligations under the Order. In the first quarter of 2012, we began paying for the real estate taxes due on the properties subject to the Master Lease, and billing Marketing therefor. We expect that in the near term we will also be required to pay or accrue for maintenance, repair, insurance, environmental and other operating expenses relating to the properties subject to the Master Lease.

As a result of payments Marketing has made under the Order, as of March 8, 2012, we have received a total of \$10.8 million in post-petition payments from Marketing. However, Marketing has failed to fully comply with the Order as it has not paid the full amount of rent, real estate taxes and other obligations due to us under the Master Lease for the post-petition periods.

Of the post-petition payments received to date, \$5.7 million has been applied to outstanding receivables accrued for income recognized in the post-petition period through December 31, 2011. Accordingly, only \$5.1 million of such payments received to date are available to be applied to Marketing's contractual rent and real estate tax obligations to us of approximately \$17.7 million attributable to the first quarter of 2012. As is the case with respect to the approximately \$8.8 million of pre-petition claims, we do not expect to collect substantially all of the \$12.6 million unpaid amounts attributable to the first quarter of 2012 from Marketing. We anticipate that we will provide bad debt reserves for all outstanding receivables due from Marketing for the first quarter of 2012 and thereafter unless payment is made, which we deem doubtful.

On March 7, 2012, we entered into a stipulation with Marketing and the Official Committee of Unsecured Creditors in the Bankruptcy proceedings (the "Creditors Committee"), which is subject to the approval of the Bankruptcy Court (the "Stipulation"). Our decision to enter into the Stipulation was based on our belief that doing so avoided possible costly litigation, improved our ability to capture cash flow relating to the properties subject to the Master Lease, minimized disruption to the operations of our properties that could occur from cessation of gas sales by the operators thereof, and permitted us to take greater control of the process for orderly recapture and re-letting or other re-disposition of these properties. The Stipulation has been filed with the Bankruptcy Court with notice that a hearing will be held on April 2, 2012 to consider its approval by the Bankruptcy Court. No assurances can be given that the Stipulation will be approved by the Bankruptcy Court.

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Pursuant to the terms of the Stipulation:

Through March 8, 2012, Marketing has paid \$10.8 million of approximately \$19.0 million of post-petition fixed rent due through March 2012; payment of \$1.0 million is due on or before April 1, 2012 plus any excess cash as of March 30, 2012. All unpaid amounts due from Marketing under the Master Lease for periods after filing of the bankruptcy become due and payable on April 30, 2012.

At any time before rejection of the Master Lease, we may take back individual or groups of properties subject to the Master Lease for the purpose of re-leasing, selling, licensing or otherwise disposing of them, on a free and clear basis, and in such case the rent under the Master Lease will be reduced based on an agreed-upon formula determined by the proceeds attributable to the relevant disposition(s).

The deadline for Marketing to assume or reject the Master Lease is April 30, 2012.

Upon rejection of the Master Lease, we will take possession of all properties subject to the Master Lease free and clear of all rights of Marketing, and free and clear of all tenancies and occupancies of subtenants (subject to whatever rights they may have, if any, under applicable law).

We will be entitled to at least an administrative claim for all fixed rent and other obligations to be performed by Marketing due under the Master Lease from December 5, 2011 until Marketing vacates the unitary Master Lease premises. For the period from December 5, 2011 (the date of the bankruptcy filing) through April 30, 2012, we have agreed to cap our aggregate priority administrative claims to the amount of \$10.5 million, together with interest from May 1, 2012 until paid at the rate provided in the Master Lease (plus any transfer taxes paid by us).

If Marketing does not vacate the unitary Master Lease premises by April 30, 2012, we may have additional administrative claims for holdover occupancy by Marketing.

Based on a cash flow forecast prepared by Marketing and reviewed by the financial advisors to the Creditors Committee we do not anticipate we will receive amounts materially in excess of the \$1.0 million scheduled for payment on or before April 1, 2012.

In connection with the bankruptcy proceedings, on December 29, 2011, Marketing filed a lawsuit against Lukoil Americas Corporation and its wholly-owned subsidiary Lukoil North America LLC (collectively, Lukoil Americas ) alleging, among other claims, that Lukoil fraudulently transferred substantially all of Marketing's assets with value and positive cash flow from Marketing to Lukoil Americas (the Lukoil Complaint ). This lawsuit may be pursued by an independent trustee for the benefit of the bankruptcy estate and its creditors even if Marketing is in liquidation. It is possible that the bankruptcy estate may be successful in its claims against Lukoil Americas and therefore it is possible that we may ultimately recover a portion of our post-petition administrative claims, which have priority over other creditors' claims, and it is also possible that we may recover a portion of our pre-petition claims against Marketing. The actual amount of any such claims that may be recovered by us is uncertain and we can provide no assurance that we will collect any such amounts.

Our financial results are materially dependent on rental revenues derived from the 797 properties subject to the Master Lease. Marketing does not operate these properties itself, but instead subleases these properties to subtenants to whom Marketing sells gasoline, and such subtenants operate their gas stations, convenience stores, automotive repair services or other businesses at our properties.

As a result of the developments described above, we concluded that it is probable that we will not receive from Marketing the entire amount of the contractual lease payments owed to us under the Master Lease. Accordingly, during the quarter ended December 31, 2011, we recorded a non-cash allowance for deferred rental revenue of \$8.7 million (in addition to \$11.0 recorded in the third quarter of 2011) fully reserving for the deferred rent receivable relating to the Master Lease. These non-cash allowances reduced our net earnings and funds from operations for the three and twelve months ended December 31, 2011, but did not impact our cash flow from operating activities or adjusted funds from operations since the impact of the straight line method of accounting is not included in our determination of adjusted funds from operations.



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Under the Master Lease, Marketing is directly responsible to pay for all environmental liabilities discovered during the term of the lease and for certain environmental liabilities even after the termination of the Master Lease, including: (i) remediation of environmental contamination it causes and compliance with various environmental laws and regulations as the operator of our properties, and (ii) known and unknown environmental liabilities allocated to Marketing under the terms of the lease and various other agreements with us relating to Marketing's business and the properties it leases from us (collectively the Marketing Environmental Liabilities). In connection with our repositioning of the properties subject to the Master Lease, we anticipate that, as between us and any new tenant or transferee of a property or group of properties, we will in almost all cases retain environmental liabilities (including Marketing Environmental Liabilities) that exist with respect to that property or group of properties prior to the date of re-letting or sale, to the extent there is no third party responsible therefor.

Since we no longer believe that Marketing will be able to meet its environmental remediation obligations and its obligations to remove underground storage tanks at the end of their useful life or earlier if circumstances warrant, we have accrued in the fourth quarter of 2011, \$47.9 million as the aggregate Marketing Environmental Liabilities. In conjunction with recording the Marketing Environmental Liabilities, we increased the carrying value for each of the related properties by the amount of the related estimated environmental obligation and simultaneously recorded impairment charges aggregating \$17.0 million where the increased carrying value of the property exceeded its estimated fair value. The increases in carrying values of the properties will be depreciated over (i) the estimated remaining life of the underground storage tank if the increase in carrying value related to obligations to remove underground storage tanks, (ii) a ten year period if the increase in carrying value related to environmental remediation obligations or (iii) such shorter period if circumstances warrant, such as the remaining lease term for properties we lease from others. The actual amount of the Marketing Environmental Liabilities may be significantly higher and we can provide no assurance as to the accuracy of its estimates. We do not maintain pollution legal liability insurance to protect it from potential future claims related to known and unknown environmental liabilities.

Since the Master Lease was structured as a triple-net lease, Marketing (as the lessee) has the responsibility for the maintenance, repair, real estate taxes, insurance and general upkeep of these properties (Property Expenditures) during the term of the Master Lease. Marketing has failed to meet many of its obligations to undertake the Property Expenditures related to our properties. In addition to having to incur the costs of the Property Expenditures, Marketing did not pay any additional Property Expenditures for the period after termination of the Master Lease. Also, in the course of repositioning the properties, we expect to incur significant costs over a period of years for required renovations, replacement of underground storage tanks and related equipment or environmental remediation, zoning and permitting (Capital Improvements). We expect to continue to incur costs associated with both the bankruptcy proceedings with Marketing and we anticipate incurring significant Property Expenditures and Capital Improvement costs. It is also possible that our estimates for environmental remediation and tank removal expenses relating to these properties will be higher than the Marketing Environmental Liabilities we have accrued and that issues involved in re-letting or repositioning these properties may require significant management attention that would otherwise be devoted to other segments of our ongoing business. These and other actions are expected to significantly increase our overhead expenses for the foreseeable future. As of the date of this Annual Report on Form 10-K, we have not determined the total amounts of any such potential additional expenses. The incurrence of these expenses may materially negatively impact our cash flow and ability to pay dividends.

We believe the likely outcome of the repositioning process is to create multiple tenancies with respect to the portfolio that was leased to Marketing under the Master Lease. It is our long-term intention to enter into intermediate and long-term triple-net leases for groups of these properties with tenants who are actively engaged in the business of retail petroleum marketing. However, in the short-term it is possible that we might reposition groups of properties by: (a) entering into temporary short-term arrangements with the existing occupants of the properties or operators of groups of properties, allowing them to continue to use and occupy the premises as long as they continue to pay us appropriate compensation and abide by other appropriate covenants, (b) entering into fuel supply agreements with third party fuel suppliers, (c) entering into long-term leases with distributors engaged in the sale of gasoline and other motor products, (d) disposing of some properties by sale or (e) continuing an existing sub-lease on a direct basis between such former Marketing subtenant and us, whether on substantially the same terms that had previously been in place between such subtenant and Marketing or on modified terms. We intend to remove and reposition our properties from the Master Lease as promptly as practicable.

Following completion of the repositioning process, we expect the revenue realized from the properties that were subject to the Master Lease to be less than the contractual rent received under the Master Lease. In addition, we expect to incur Property Expenditures and Capital Expenditures during and after the repositioning process.

We are continuing our efforts to sell approximately 160 properties that have previously had their underground storage tanks removed and nine petroleum distribution terminals although alternatively we may seek to re-let some of these properties and terminals. While we have dedicated considerable effort designed to increase sales and leasing activity, we cannot predict the timing or the terms of any such dispositions.

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Our estimates, judgments, assumptions and beliefs regarding Marketing and the Master Lease affect the amounts reported in our financial statements are subject to change. Actual results could differ from these estimates, judgments and assumptions and such differences could be material. If the Marketing Environmental Liabilities are greater than our accruals; if we incur significant Property Expenditures, Capital Improvement costs and operating expenses relating to these properties; if the litigation and bankruptcy proceedings with Marketing and the repositioning of the properties subject to the Master Lease leads to a protracted and expensive process for taking control and or re-letting our properties; if re-letting these properties required significant management attention that would otherwise be devoted to our ongoing business; if Marketing asserts additional claims against us, seeks a deferral or reduction in the rental payments or other obligations owed to us or seeks to liquidate its business; if the Bankruptcy Court takes actions that are detrimental to our interests; if we are unable to re-let or sell a portion of the properties subject to the Master Lease upon terms that are favorable to us; or if we change our estimates, judgments, assumptions and beliefs related to the properties subject to the Master Lease; our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends and stock price may continue to be materially adversely affected or adversely affected to a greater extent than we have experienced. (For additional information regarding the historical portion of our financial results that are attributable to Marketing, see note 12 in Item 1. Financial Statements Notes to Consolidated Financial Statements. ) (For information regarding factors that could adversely affect us relating to our lessees, including Marketing, see Item 1A. Risk Factors which appears in this Annual Report on Form 10-K for the year ended December 31, 2011).

## **ASSET IMPAIRMENT**

We perform an impairment analysis for the carrying amount of our properties in accordance with GAAP when indicators of impairment exist. During the year ended December 31, 2011, we reduced the carrying amount to fair value, and recorded in continuing operations and in discontinued operations non-cash impairment charges aggregating \$20.2 million (of which \$18.6 million was attributable to certain properties leased to Marketing and \$1.6 million was attributable to certain properties leased to other tenants) where the carrying amount of the property exceeded the estimated undiscounted cash flows expected to be received during the assumed holding period and the estimated net sales value expected to be received at disposition. The non-cash impairment charges related to the properties leased to Marketing were primarily attributable to significant increases in the carrying value for certain of the properties in conjunction with recording the Marketing Environmental Liabilities. In the fourth quarter of 2011, we accrued \$47.9 million as the aggregate Marketing Environmental Liabilities since we could no longer assume that Marketing will be able to meet its environmental remediation obligations and its obligations to remove underground storage tanks at the end of their useful life. We increased the carrying value for each of the affected properties by the amount of the related estimated environmental obligation and simultaneously recorded impairment charges aggregating \$17.0 million where the increased carrying value of the property exceeded its estimated fair value. The non-cash impairment charges recorded earlier in 2011 were attributable to reductions in real estate valuations and reductions in the assumed holding period used to test for impairment.

## ***Supplemental Non-GAAP Measures***

We manage our business to enhance the value of our real estate portfolio and, as a REIT, place particular emphasis on minimizing risk and generating cash sufficient to make required distributions to shareholders of at least ninety percent of our ordinary taxable income each year. In addition to measurements defined by accounting principles generally accepted in the United States of America ( GAAP ), our management also focuses on funds from operations available to common shareholders ( FFO ) and adjusted funds from operations available to common shareholders ( AFFO ) to measure our performance. FFO is generally considered to be an appropriate supplemental non-GAAP measure of the performance of REITs. In accordance with the National Association of Real Estate Investment Trusts' modified guidance for reporting FFO, we have restated reporting of FFO for all periods presented to exclude non-cash impairment charges. FFO is defined by the National Association of Real Estate Investment Trusts as net earnings before depreciation and amortization of real estate assets, gains or losses on dispositions of real estate (including such non-FFO items reported in discontinued operations), non-cash impairment charges, extraordinary items and cumulative effect of accounting change. Other REITs may use definitions of FFO and/or AFFO that are different than ours and; accordingly, may not be comparable. Beginning in 2011, we revised our definition of AFFO to exclude direct expensed costs related to property acquisitions and other unusual or infrequently occurring items.

We believe that FFO and AFFO are helpful to investors in measuring our performance because both FFO and AFFO exclude various items included in GAAP net earnings that do not relate to, or are not indicative of, our fundamental operating performance. FFO excludes various items such as gains or losses from property dispositions and depreciation and amortization of real estate assets and non-cash impairment charges. In our case, however, GAAP net earnings and FFO typically include the impact of the Revenue Recognition Adjustments comprised of deferred rental revenue (straight-line rental revenue), the net amortization of above-market and below-market leases and income recognized from direct financing leases on our recognition of revenues from rental properties, as

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offset by the impact of related collection reserves. GAAP net earnings and FFO from time to time may also include property acquisition costs or other unusual or infrequently recurring items. Deferred rental revenue results primarily from fixed rental increases scheduled under certain leases with our tenants. In accordance with GAAP, the aggregate minimum rent due over the current term of these leases are recognized on a straight-line (or average) basis rather than when payment is contractually due. The present value of the difference between the fair market rent and the contractual rent for in-place leases at the time properties are acquired is amortized into revenue from rental properties over the remaining lives of the in-place leases. Income from direct financing leases is recognized over the lease terms using the effective interest method which produces a constant periodic rate of return on the net investments in the leased properties. Property acquisition costs are expensed, generally in the period when properties are acquired, and are not reflective of normal operations. Other unusual or infrequently occurring items are not reflective of normal operations.

Management pays particular attention to AFFO, a supplemental non-GAAP performance measure that we define as FFO less Revenue Recognition Adjustments, property acquisition costs and other unusual or infrequently occurring items. In management's view, AFFO provides a more accurate depiction than FFO of our fundamental operating performance related to: (i) the impact of scheduled rent increases from operating leases, net of related collection reserves; (ii) the rental revenue earned from acquired in-place leases; (iii) the impact of rent due from direct financing leases; (iv) our operating expenses (exclusive of direct expensed operating property acquisition costs); and (v) other unusual or infrequently occurring items. Neither FFO nor AFFO represent cash generated from operating activities calculated in accordance with GAAP and therefore these measures should not be considered an alternative for GAAP net earnings or as a measure of liquidity. For a reconciliation of FFO and AFFO, see Item 6. Selected Financial Data.

### ***2011, 2010, and 2009 Acquisitions***

On January 13, 2011, we acquired fee or leasehold title to 59 Mobil-branded gasoline station and convenience store properties and also took a security interest in six other Mobil-branded gasoline stations and convenience store properties in a sale/leaseback and loan transaction with CPD NY Energy Corp. (CPD NY), a subsidiary of Chestnut Petroleum Dist. Inc. Our total investment in the transaction was \$111.6 million including acquisition costs, which was financed entirely with borrowings under our Credit Agreement.

The properties were acquired or financed in a simultaneous transaction among ExxonMobil, CPD NY and us whereby CPD NY acquired a portfolio of 65 gasoline station and convenience stores from ExxonMobil and simultaneously completed a sale/leaseback of 59 of the acquired properties and leasehold interests with us. The lease between us, as lessor, and CPD NY, as lessee, governing the properties is a unitary triple-net lease agreement (the CPD Lease), with an initial term of 15 years, and options for up to three successive renewal terms of ten years each. The CPD Lease requires CPD NY to pay a fixed annual rent for the properties (the Rent), plus an amount equal to all rent due to third party landlords pursuant to the terms of third party leases. The Rent is scheduled to increase on the third anniversary of the date of the CPD Lease and on every third anniversary thereafter. As a triple-net lessee, CPD NY is required to pay all amounts pertaining to the properties subject to the CPD Lease, including taxes, assessments, licenses and permit fees, charges for public utilities and all governmental charges. Partial funding to CPD NY for the transaction was also provided by us under a secured, self-amortizing loan having a 10-year term (the CPD Loan).

On March 31, 2011, we acquired fee or leasehold title to 66 Shell-branded gasoline station and convenience store properties in a sale/leaseback transaction with Nouria Energy Ventures I, LLC (Nouria), a subsidiary of Nouria Energy Group. Our total investment in the transaction was \$87.0 million including acquisition costs, which was financed entirely with borrowings under our Credit Agreement.

The properties were acquired in a simultaneous transaction among Motiva Enterprises LLC (Shell), Nouria and us whereby Nouria acquired a portfolio of 66 gasoline station and convenience stores from Shell and simultaneously completed a sale/leaseback of the 66 acquired properties and leasehold interests with us. The lease between us, as lessor, and Nouria, as lessee, governing the properties is a unitary triple-net lease agreement (the Nouria Lease), with an initial term of 20 years, and options for up to two successive renewal terms of ten years each followed by one final renewal term of five years. The Nouria Lease requires Nouria to pay a fixed annual rent for the properties (the Rent), plus an amount equal to all rent due to third party landlords pursuant to the terms of third party leases. The Rent is scheduled to increase on every annual anniversary of the date of the Nouria Lease. As a triple-net lessee, Nouria is required to pay all amounts pertaining to the properties subject to the Nouria Lease, including taxes, assessments, licenses and permit fees, charges for public utilities and all governmental charges.

In 2010, we purchased three properties for a total purchase price of \$3.6 million.

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On September 25, 2009, we acquired the real estate assets and improvements of 36 gasoline stations and convenience store properties located primarily in Prince George's County Maryland for \$49.0 million from White Oak Petroleum LLC ( White Oak ) for cash with \$24.5 million draw under our existing Credit Agreement and \$24.5 million provided by the three-year Term Loan Agreement entered into on that date.

The real estate assets were acquired in a simultaneous transaction among ExxonMobil, White Oak and us, whereby White Oak acquired the real estate assets and the related businesses from ExxonMobil and simultaneously completed a sale/leaseback of the real estate assets of all 36 properties with us. We entered into a unitary triple-net lease for the real estate assets with White Oak which has an initial term of 20 years and provides White Oak with options for three renewal terms of ten years each extending to 2059. The unitary triple-net lease provides for annual rent escalations.

In 2009 we also exercised our fixed price purchase option for one leased property and purchased three properties for a total purchase price of \$6.3 million.

## **RESULTS OF OPERATIONS**

### ***Year ended December 31, 2011 compared to year ended December 31, 2010***

The results for the fourth quarter and year ended December 31, 2011 were materially affected by events and factors relating to Marketing and more fully described above in General Marketing and the Master Lease and elsewhere in this Annual Report on Form 10-K. Accordingly, the following adjustments are reflected in our results of operations for the quarter and year ended December 31, 2011 or our balance sheet as of December 31, 2011:

We recorded a non-cash allowance for deferred rental revenue of \$8.7 million (in addition to the \$11.0 million allowance recorded during the quarter ended September 30, 2011) fully reserving for the deferred rent receivable relating to the Master Lease;

We recorded in revenues from rental properties and in rental property expense \$4.1 million for real estate taxes paid (or accrued) by us which were due from Marketing since we began paying past due real estate taxes for 2011 and 2012, including taxes which Marketing historically paid directly;

We provided an \$8.8 million reserve for bad debts, primarily attributable to nonpayment of pre-petition rent and real estate taxes due from Marketing;

We have accrued on our balance sheet \$47.9 million as the present fair value of the aggregate Marketing Environmental Liabilities which we expect to assume and recorded \$0.2 million of accretion expense in environmental expenses for the post-petition period;

In conjunction with recording the Marketing Environmental Liabilities, we increased the carrying value for each of the related properties by the amount of the related estimated environmental obligation, recognized \$0.9 million of depreciation expense, and simultaneously recorded impairment charges aggregating \$17.0 million where the increased carrying value of the property exceeded its estimated fair value (in addition to \$1.6 million of impairment charges previously recorded due to reductions in real estate valuations and the reductions in the assumed holding period used to test for impairment).

Revenues from rental properties included in continuing operations were \$110.2 million for the year ended December 31, 2011, as compared to \$88.1 million for the year ended December 31, 2010. Revenues from rental properties include approximately \$63.6 million and \$60.2 million in rent contractually due or received for the years ended December 31, 2011 and December 31, 2010, respectively, from properties leased to Marketing under the Master Lease and approximately \$45.5 million and \$26.5 million for the years ended December 31, 2011 and 2010, respectively, contractually due or received from other tenants. The increase in rent contractually due or received from other tenants for the year ended December 31, 2011 was primarily due to rental income from properties we acquired from, and leased back to, CPD in January 2011 and Nouria in March 2011. The increase in the rent contractually due or received from Marketing for the year ended December 31, 2011 was primarily due to an increase in the real estate taxes we pay (or accrue) and bill to Marketing. As a result of Marketing's bankruptcy filing, beginning in the first quarter of 2012, we



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began paying past due real estate taxes for 2011 and 2012, which taxes Marketing historically paid directly. Revenues from rental properties and rental property expense included \$4.1 million for the year ended December 31, 2011 as compared to \$0.6 million for the year ended December 31, 2010 for real estate taxes paid (or accrued) by us which were due from Marketing. The increase in rent contractually due or received from Marketing and other tenants for the year ended December 31, 2011 was also due, to a lesser extent, to rent escalations, partially offset by the effect of dispositions of real estate and lease expirations. In accordance with GAAP, we recognize rental revenue in amounts which vary from the amount of rent contractually due or received during the periods presented. As a result, revenues from rental properties include Revenue Recognition Adjustments comprised of non-cash adjustments recorded for deferred rental revenue due to the recognition of rental income on a straight-line basis over the current lease term, net amortization of above-market and below-market leases and recognition of rental income under direct financing leases using the effective interest rate method which produces a constant periodic rate of return on the net investments in the leased properties. Rental revenue includes Revenue Recognition Adjustments which increased rental revenue by \$1.1 million for the year ended December 31, 2011 and \$1.4 million for the year ended December 31, 2010.

Interest income from notes and mortgages receivable increased by \$2.6 million to \$2.7 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010 due to the issuance of \$30.4 million of notes receivable substantially all in connection with the acquisitions completed in 2011.

Rental property expenses included in continuing operations, which are primarily comprised of rent expense and real estate and other state and local taxes, were \$16.7 million for the year ended December 31, 2011 as compared to \$10.1 million for the year ended December 31, 2010. The increase in rental property expenses is principally due to additional real estate tax and rent expenses paid by us and reimbursable by our tenants related to properties and leasehold interests acquired in 2011 and accrued past due real estate taxes historically paid by Marketing directly, which taxes we began paying in the first quarter of 2012. The reimbursement of such expenses from our tenants is included in revenues from rental properties in our consolidated statement of operations. We provided a bad debt reserve for the taxes reimbursable from Marketing since do not expect to receive payment Marketing.

Non-cash impairment charges of \$20.0 million are included in continuing operations for the year ended December 31, 2011 as compared to no impairment charges recorded for the year ended December 31, 2010. During the year ended December 31, 2011, we reduced the carrying amount to fair value, and recorded in continuing operations and in discontinued operations non-cash impairment charges aggregating \$20.2 million (of which \$18.6 million was attributable to certain properties leased to Marketing and \$1.6 million was attributable to certain properties leased to other tenants). The non-cash impairment charges related to the properties leased to Marketing were primarily attributable to significant increases in the carrying value for certain of the properties in conjunction with recording the Marketing Environmental Liabilities. In the fourth quarter of 2011, we accrued \$47.9 million as the aggregate Marketing Environmental Liabilities since we could no longer assume that Marketing will be able to meet its environmental remediation obligations and its obligations to remove underground storage tanks at the end of their useful life. In accordance with GAAP, we increased the carrying value for each of the affected properties by the amount of the related estimated environmental obligation which resulted in simultaneously recording impairment charges aggregating \$17.0 million where the increased carrying value of the property exceeded its estimated fair value. The non-cash impairment charges recorded earlier in the year resulted from reductions in real estate valuations and the reductions in the assumed holding period used to test for impairment.

Environmental expenses, net of estimated recoveries from underground storage tank ( UST or USTs ) funds included in continuing operations for the year ended December 31, 2011 increased by \$0.4 million, to \$5.8 million, as compared to \$5.4 million for the year ended December 31, 2010. The increase in net environmental expenses for the year ended December 31, 2011 was primarily due to a higher provision for litigation loss reserves and legal fees which increased by \$0.5 million for 2011 partially offset by a lower provision for estimated environmental remediation costs which decreased by an aggregate \$0.2 million to \$2.5 million for the year ended December 31, 2011, as compared to \$2.7 million for the year ended December 31, 2010. Environmental expenses vary from period to period and, accordingly, undue reliance should not be placed on the magnitude or the direction of change in reported environmental expenses for one period as compared to prior periods.

General and administrative expenses increased by \$15.4 million to \$23.6 million for the year ended December 31, 2011 as compared to \$8.2 million recorded for the year ended December 31, 2010. The increase in general and administrative expenses was principally due to \$9.1 million of reserve for bad debts (substantially all of which was recorded in the fourth quarter of 2011) primarily attributable to nonpayment of pre-petition rent and real estate taxes due from Marketing that we do not expect to collect, \$2.0 million of property acquisition costs, \$1.5 million of legal and professional fees incurred related to Marketing s defaults of its obligations under the Master Lease and bankruptcy filing, higher employee related expenses and legal fees recorded in the year ended December 31, 2011.

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As a result of Marketing's material monetary default under the Master Lease and Marketing's bankruptcy filing, we have concluded that it is probable that we will not receive the contractual lease payments when due from Marketing for the entire initial term of the Master Lease. Therefore, during 2011, we increased our reserve by recording additional non-cash allowances for deferred rent receivable of \$19.8 million (including an allowance of \$8.7 million recorded during the fourth quarter of 2011). These non-cash allowances reduced our net earnings and funds from operations for the year ended December 31, 2011, but did not impact our cash flow from operating activities or adjusted funds from operations since the impact of the straight line method of accounting is not included in our determination of adjusted funds from operations.

Depreciation and amortization expense included in continuing operations for 2011 was \$10.3 million for the year ended December 31, 2011, as compared to \$9.7 million for the year ended December 31, 2010. The increase was primarily due to depreciation charges related to asset retirement costs and properties acquired, partially offset by the effect of certain assets becoming fully depreciated, lease terminations and dispositions of real estate.

As a result, total operating expenses increased by approximately \$62.9 million for the year ended December 31, 2011, as compared to the year ended December 31, 2010.

Other income, net, included in income from continuing operations was \$0.016 million for the year ended December 31, 2011, as compared to \$0.2 million for the year ended December 31, 2010. Gains from dispositions of real estate included in discontinued operations were \$0.9 million for the year ended December 31, 2011 and \$1.7 million for the year ended December 31, 2010. For the year ended December 31, 2011, there were ten property dispositions. For the year ended December 31, 2010, there were six property dispositions. Other income, net and gains on disposition of real estate vary from period to period and accordingly, undue reliance should not be placed on the magnitude or the directions of change in reported gains for one period as compared to prior periods.

Interest expense was \$5.1 million for each of 2011 and 2010. While there was no significant change in interest expense recorded for the year ended December 31, 2011 as compared to the prior year period, the weighted average interest rate on borrowings outstanding decreased due to changes in the relative amounts of debt outstanding under our Credit Agreement and Term Loan, (each described in Liquidity and Capital Resources below) and average borrowings outstanding for the year ended December 31, 2011 were higher than average borrowings outstanding for the year ended December 31, 2010. The average borrowings outstanding in 2011 were impacted by, among other things, \$113.0 million drawn under the Credit Agreement to finance the transaction with CPD NY, \$92.1 million drawn under the Credit Agreement to finance the transaction with Nouria and the repayment of borrowings then outstanding under the Credit Agreement with substantially all of the net proceeds of \$92.0 million received in 2011 from a 3.45 million share common stock offering.

The operating results and gains from certain dispositions of real estate sold in 2011 and 2010 have been reclassified as discontinued operations. The operating results of such properties for the year ended December 31, 2010 has also been reclassified to discontinued operations to conform to the 2011 presentation. Earnings from discontinued operations decreased by \$0.9 million to \$0.8 million for the year ended December 31, 2011, as compared to \$1.7 million for the year ended December 31, 2010. The decrease was primarily due to lower gains on dispositions of real estate. Gains on disposition of real estate vary from period to period and accordingly, undue reliance should not be placed on the magnitude or the directions of change in reported gains for one period as compared to prior periods.

As a result, earnings from continuing operations were \$11.6 million for the year ended December 31, 2011, as compared to \$50.0 million for the year ended December 31, 2010 and net earnings decreased by \$39.2 million to \$12.5 million for the year ended December 31, 2011, as compared to \$51.7 million for the year ended December 31, 2010.

For the year ended December 31, 2011, FFO decreased by \$17.6 million to \$42.1 million, as compared to \$59.7 million for the year ended December 31, 2010, and AFFO increased by \$4.5 million to \$62.7 million, as compared to \$58.2 million for the prior year. The decrease in FFO for the year ended December 31, 2011 was primarily due to the changes in net earnings but exclude a \$20.2 million increase in impairment charges, a \$0.6 million increase in depreciation and amortization expense and a \$0.7 million decrease in gains on dispositions of real estate. The increase in AFFO for the year ended December 31, 2011 also exclude a \$19.8 million increase in the allowance for deferred rental revenue, a \$2.0 million increase in acquisition costs and a \$0.3 million decrease in Rental Revenue Adjustments which cause our reported revenues from rental properties to vary from the amount of rent payments contractually due or received by us during the periods presented (which are included in net earnings and FFO but are excluded from AFFO).

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The calculations of net earnings per share, FFO per share and AFFO per share for the year ended December 31, 2011 were impacted by an increase in the weighted average number of shares outstanding as a result of the issuance of shares of common stock in 2010 and 2011. The weighted average number of shares outstanding used in our per share calculations increased by \$5.2 million shares, or 18.7%, for the year ended December 31, 2011, as compared to the prior year period. Accordingly, the percentage or direction of the changes in net earnings, FFO and AFFO discussed above may differ from the changes in the related per share amounts. Diluted earnings per share was \$0.37 per share for the year ended December 31, 2011, as compared to \$1.84 per share for the year ended December 31, 2010. Diluted FFO per share for the year ended December 31, 2011 was \$1.26 per share, as compared to \$2.13 per share for the year ended December 31, 2010. Diluted AFFO per share for the year ended December 31, 2011 was \$1.88 per share, as compared to \$2.08 per share for the year ended December 31, 2010.

### ***Year ended December 31, 2010 compared to year ended December 31, 2009***

Revenues from rental properties included in continuing operations were \$88.1 million for the year ended December 31, 2010, as compared to \$84.0 million for the year ended December 31, 2009. We received approximately \$60.2 million and \$60.8 million in rent for the years ended December 31, 2010 and December 31, 2009, respectively, from properties leased to Marketing under the Master Lease. We also received rent of \$26.5 million and \$21.3 million for the years ended December 31, 2010 and 2009, respectively, from other tenants. The increase in rent received for the year ended December 31, 2010 was primarily due to rental income from properties we acquired from, and leased back to, White Oak in September 2009 and, to a lesser extent, due to rent escalations, partially offset by the effect of dispositions of real estate and lease expirations. In accordance with GAAP, we recognize rental revenue in amounts which vary from the amount of rent contractually due or received during the periods presented. As a result, revenues from rental properties include Revenue Recognition Adjustments comprised of non-cash adjustments recorded for deferred rental revenue due to the recognition of rental income on a straight-line basis over the current lease term, net amortization of above-market and below-market leases and recognition of rental income under direct financing leases using the effective interest rate method which produces a constant periodic rate of return on the net investments in the leased properties. Rental revenue includes Revenue Recognition Adjustments which increased rental revenue by \$1.4 million for the year ended December 31, 2010 and \$1.9 million for the year ended December 31, 2009.

Interest income from mortgages receivable was \$0.1 million for the years ended December 31, 2010 and 2009.

Rental property expenses included in continuing operations, which are primarily comprised of rent expense and real estate and other state and local taxes, were \$10.1 million for the year ended December 31, 2010 as compared to \$10.7 million for the year ended December 31, 2009. The decrease in rental property expenses is due to a reduction in rent expense caused by a decrease in the number of leased properties sublet to tenants due to third-party lease expirations as compared to the prior year.

There were no impairment charges recorded for the year ended December 31, 2010. The \$1.1 million of non-cash impairment charges recorded in the year ended December 31, 2009 was attributable to general reductions in real estate valuations and, in certain cases, the removal or scheduled removal of underground storage tanks by Marketing.

Environmental expenses, net of estimated recoveries from underground storage tank ( UST or USTs ) funds included in continuing operations for the year ended December 31, 2010 decreased by \$3.3 million, to \$5.4 million, as compared to \$8.7 million for the year ended December 31, 2009. The decrease in net environmental expenses for the year ended December 31, 2010 was primarily due to a lower provision for litigation loss reserves and legal fees which decreased by \$2.1 million for 2010, and a lower provision for estimated environmental remediation costs which decreased by an aggregate \$1.2 million to \$2.7 million for the year ended December 31, 2010, as compared to \$3.9 million for the year ended December 31, 2009. Environmental expenses vary from period to period and, accordingly, undue reliance should not be placed on the magnitude or the direction of change in reported environmental expenses for one period as compared to prior periods.

General and administrative expenses were \$8.2 million for the year ended December 31, 2010 as compared to \$6.8 million recorded for the year ended December 31, 2009. The increase in general and administrative expenses was principally due to higher employee related expenses and provisions for doubtful accounts.

Depreciation and amortization expense included in continuing operations for 2010 was \$9.7 million for the year ended December 31, 2010, as compared to \$10.7 million for the year ended December 31, 2009. The decrease was primarily due to the effect of certain assets becoming fully depreciated, lease terminations and dispositions of real estate partially offset by depreciation charges related to properties acquired.

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As a result, total operating expenses decreased by approximately \$4.8 million for the year ended December 31, 2010, as compared to the year ended December 31, 2009.

Other income, net, included in income from continuing operations was \$0.2 million for the year ended December 31, 2010, as compared to \$0.4 million for the year ended December 31, 2009. Gains from dispositions of real estate included in discontinued operations were \$1.7 million for the year ended December 31, 2010 and \$5.4 million for the year ended December 31, 2009. For the year ended December 31, 2010, there were six property dispositions. For the year ended December 31, 2009, there were eight property dispositions. Other income, net and gains on disposition of real estate vary from period to period and accordingly, undue reliance should not be placed on the magnitude or the directions of change in reported gains for one period as compared to prior periods.

Interest expense was \$5.1 million for each of 2010 and 2009. While there was no significant change in interest expense recorded for the year ended December 31, 2010 as compared to the prior year period, the weighted average interest rate on borrowings outstanding increased due to changes in the relative amounts of debt outstanding under our Credit Agreement and Term Loan, (each described in Liquidity and Capital Resources below) and average borrowings outstanding for the year ended December 31, 2010 were less than average borrowings outstanding for the year ended December 31, 2009. The lower average borrowings outstanding was principally due to the repayment of a portion of the outstanding balance of our Credit Agreement with a portion of the \$108.2 million net proceeds from a public stock offering of 5.2 million shares of our common stock during the second quarter of 2010, partially offset by \$49.0 million borrowed in September 2009 under our Term Loan and our Credit Agreement which was used to finance the acquisition of properties.

The operating results and gains from certain dispositions of real estate sold in 2010 and 2009 have been reclassified as discontinued operations. The operating results of such properties for the year ended December 31, 2009 has also been reclassified to discontinued operations to conform to the 2010 presentation. Earnings from discontinued operations decreased by \$3.9 million to \$1.7 million for the year ended December 31, 2010, as compared to \$5.6 million for the year ended December 31, 2009. The decrease was primarily due to lower gains on dispositions of real estate. Gains on disposition of real estate vary from period to period and accordingly, undue reliance should not be placed on the magnitude or the directions of change in reported gains for one period as compared to prior periods.

As a result, earnings from continuing operations increased by \$8.6 million to \$50.0 million for the year ended December 31, 2010, as compared to \$41.4 million for the year ended December 31, 2009 and net earnings increased by \$4.7 million to \$51.7 million for the year ended December 31, 2010, as compared to \$47.0 million for the year ended December 31, 2009.

For the year ended December 31, 2010, FFO increased by \$6.0 million to \$59.7 million, as compared to \$53.7 million for the year ended December 31, 2009, and AFFO increased by \$6.5 million to \$58.2 million, as compared to \$51.7 million for the prior year. The increase in FFO for the year ended December 31, 2010 was primarily due to the changes in net earnings but excludes a \$1.1 million decrease in impairment charges, a \$1.3 million decrease in depreciation and amortization expense and a \$3.8 million decrease in gains on dispositions of real estate. The increase in AFFO for the year ended December 31, 2010 also excludes a \$0.6 million decrease in Rental Revenue Adjustments which cause our reported revenues from rental properties to vary from the amount of rent payments contractually due or received by us during the periods presented (which are included in net earnings and FFO but are excluded from AFFO).

The calculations of net earnings per share, FFO per share, and AFFO per share for the year ended December 31, 2010 were impacted by an increase in the weighted average number of shares outstanding as a result of the issuance of 5.2 million shares of common stock in May 2010. The weighted average number of shares outstanding used in our per share calculations increased by 3.2 million shares, or 12.9%, for the year ended December 31, 2010, as compared to the year ended December 31, 2009. Accordingly, the percentage or direction of the changes in net earnings, FFO and AFFO discussed above may differ from the changes in the related per share amounts. Diluted earnings per share decreased by \$0.05 per share for the year ended December 31, 2010 to \$1.84 per share as compared to \$1.89 per share for the year ended December 31, 2009. Diluted FFO per share decreased by \$0.03 per share for the year ended December 31, 2010 to \$2.13 per share, as compared to \$2.16 per share for the year ended December 31, 2009. Diluted AFFO was \$2.08 per share, as compared to \$2.09 per share for the year ended December 31, 2010 and 2009.

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES**

Our principal sources of liquidity are our cash flows from operations and available cash and cash equivalents. Historically, we have also utilized our Credit Agreement/Amended Credit Agreement that expires in March 2013 as a source of liquidity. However, under the terms of the Amended Credit Agreement, we are unable to borrow additional funds unless we meet certain criteria described below. Net cash flow provided by operating activities reported on our consolidated statement of cash flows for 2011, 2010 and 2009 were \$61.2 million, \$56.9 million and \$52.5 million, respectively. Our business operations and liquidity is dependent on our ability to reposition the portfolio and generate cash flow from the properties subject to the Master Lease discussed in General Marketing and the Master Lease above. We may be required to enter into alternative loan agreements, sell assets or issue additional equity at unfavorable terms if we do not have access to funds under our Amended Credit Agreement or Amended Term Loan Agreement.

We cannot predict how Marketing's defaults of its obligations under the Master Lease and bankruptcy filing and our ability to reposition the portfolio and generate cash flow from the properties subject to the Master Lease may impact our access to capital and our liquidity. It is possible that our business operations or liquidity may be adversely affected by our ability to reposition the portfolio. Any significant loss of revenue or increase in expenses could give rise to an event of default under the Amended Credit Agreement and the Amended Term Loan Agreement. Any such event of default, if not waived, would prohibit us from drawing funds against the Amended Credit Agreement, could result in an increase in the cost of our borrowings or the acceleration of our indebtedness under the Amended Credit Agreement and the Amended Term Loan Agreement. In order to continue to meet our liquidity needs (including the repayment of the balance outstanding under the Amended Credit Agreement and the Amended Term Loan Agreement when due in March 2013), we must extend the maturity of or refinance our existing debt or obtain additional sources of financing. Additional sources of financing may be more expensive or contain more onerous terms than exist under our current Amended Credit Agreement and the Amended Term Loan Agreement, or simply may not be available. As a result, we may be required to enter into alternative loan agreements, sell assets, reduce or eliminate our dividend or issue additional equity at unfavorable terms if we do not extend the term of the Amended Credit Agreement beyond March 2013. There can be no assurance that at or prior to expiration of the Amended Credit Agreement we will be able to further amend the Amended Credit Agreement or enter into a new revolving credit agreement on favorable terms, if at all. Management believes that subject to recapturing and re-letting or selling properties subject to the Master Lease, our operating cash needs for the next twelve months can be met by cash flows from operations, and available cash and cash equivalents. If we fail to obtain additional sources of financing or refinance our existing debt, this could have a material adverse affect on our business, financial condition, results of operation, liquidity, ability to pay dividends or stock price.

During the first quarter of 2011, we completed a public stock offering of 3.5 million shares of our common stock. Substantially all of the \$92.0 million net proceeds from the offering was used to repay a portion of the outstanding balance under our Credit Agreement and the remainder was used for general corporate purposes. During the second quarter of 2010, we completed a public stock offering of 5.2 million shares of our common stock. The \$108.2 million net proceeds from the offering was used in part to repay a portion of the outstanding balance under our Credit Agreement, described below, and the remainder was used for general corporate purposes.

***Credit Agreement /Amended Credit Agreement***

We are a party to a \$175.0 million amended and restated senior unsecured revolving credit agreement entered into in March 2007 (the Credit Agreement) with a group of commercial banks led by JPMorgan Chase Bank, N.A. (the Bank Syndicate) which was scheduled to expire in March 2012. As of December 31, 2011, borrowings under the Credit Agreement were \$147.7 million, bearing interest at a rate of 1.25% per annum. The Credit Agreement permitted borrowings at an interest rate equal to the sum of a base rate plus a margin of 0.00% or 0.25% or a LIBOR rate plus a margin of 1.00%, 1.25% or 1.50%. The applicable margin was based on our leverage ratio at the end of the prior calendar quarter, as defined in the Credit Agreement.

Prior to the expiration of the Credit Agreement, on March 9, 2012, we entered into an agreement with the Bank Syndicate amending the interest rate and other significant terms of the Credit Agreement and extending the maturity date by one year to March 2013 (the Amended Credit Agreement). The Amended Credit Agreement provides for security in the form of, among other items, mortgage liens on several portfolios of our properties with an aggregate value of not less than \$220.0 million based on a percentage of loan outstanding to property value. The Amended Credit Agreement allocates \$125.0 million of the total Bank Syndicate commitment to a term loan and \$50.0 million of the total Bank Syndicate commitment to a revolving facility. Under the terms of the Amended Credit Agreement, any proceeds from the issuance of debt will be used to pay down and permanently reduce the aggregate amount of Bank Syndicate commitments. Additionally, 50% of proceeds from any equity issuance by us will be used to pay down and permanently reduce the aggregate amount of Bank Syndicate commitments with the remaining proceeds used to pay down the revolving facility. Such repayments under the revolving facility can be redrawn assuming we meet the terms and conditions discussed below whereas amounts used to permanently reduce Bank Syndicate commitments cannot be redrawn. Under the Amended Credit Agreement, we are unable to access undrawn funds other than \$4.0 million drawn for closing costs related to the Amended Credit Agreement until we meet certain criteria including achieving pro forma revenue targets, the resolution of material litigation with our tenants, and conditioned upon having no tenant upon whom our financial results are materially dependent subject to bankruptcy or any such

similar proceedings. The Amended Credit Agreement does not provide for scheduled reductions in the principal balance prior to its maturity. The Amended Credit Agreement permits borrowings at an interest rate equal to the sum of a base rate plus a margin of 2.00% or a LIBOR rate plus a margin of 3.00%.

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The annual commitment fee on the unused Amended Credit Agreement is 0.40%. The Amended Credit Agreement contains restrictive terms and conditions including restricting our use of proceeds from the issuance of debt or equity or the sale of properties; weekly financial reporting; and financial covenants such as those requiring us to maintain minimum cash balances, minimum liquidity, minimum EBITDA, coverage ratios and other covenants which may limit our ability to incur debt or pay dividends. The Amended Credit Agreement contains events of default, including default under the Amended Term Loan Agreement, change of control, failure to maintain REIT status or a material adverse effect on our business, assets, prospects or condition. Any event of default, if not cured or waived, would increase by 200 basis points (2.00%) the interest rate we pay under the Amended Credit Agreement and prohibit us from drawing funds against the Amended Credit Agreement and could result in the acceleration of our indebtedness under the Amended Credit Agreement and could also give rise to an event of default and consequent acceleration of our indebtedness under the Amended Term Loan Agreement described below. We may be required to enter into alternative loan agreements, sell assets, reduce or eliminate our dividend or issue additional equity at unfavorable terms if we do not have access to funds under our Amended Credit Agreement or as a result of acceleration of our indebtedness under the Amended Credit Agreement and Amended Term Loan Agreement.

### ***Term Loan Agreement /Amended Term Loan Agreement***

We are a party to a \$25,000,000 three-year term loan agreement with TD Bank (the *Term Loan Agreement* or *Term Loan*) which as of December 31, 2011 was scheduled to expire in September 2012. On March 9, 2012, we entered into an agreement with TD Bank amending significant terms of the Term Loan and extending the maturity date by approximately six months to March 2013 (the *Amended Term Loan Agreement*). As of December 31, 2011, borrowings under the Term Loan Agreement were \$22.8 million bearing interest at a rate of 3.50% per annum. The Term Loan Agreement and the Amended Term Loan Agreement provide for annual reductions of \$0.8 million in the principal balance with a balloon payment due at maturity. A balloon payment of \$21.9 million is due in March 2013 pursuant to the Amended Term Loan Agreement. The Amended Term Loan Agreement bears interest at a rate equal to a 30 day LIBOR rate (subject to a floor of 0.40%) plus a margin of 3.10%. The Amended Term Loan Agreement contains restrictive terms and conditions including financial covenants such as those requiring us to maintain minimum cash balances, minimum liquidity, minimum EBITDA, coverage ratios and other covenants which may limit our ability to incur debt or pay dividends. The Amended Term Loan Agreement contains events of default, including default under the Amended Credit Agreement, change of control, failure to maintain REIT status or a material adverse effect on our business, assets, prospects or condition. Any event of default, if not cured or waived, would increase by 300 basis points (3.00%) the interest rate we pay under the Amended Term Loan Agreement and could result in the acceleration of our indebtedness under the Amended Term Loan Agreement and could also give rise to an event of default and could result in the acceleration of our indebtedness under our Amended Term Loan Agreement and Amended Credit Agreement. We may be required to enter into alternative loan agreements, sell assets, reduce or eliminate our dividend or issue additional equity at unfavorable terms if we do not have access to funds under our Amended Credit Agreement or as a result of acceleration of our indebtedness under the Amended Credit Agreement and Amended Term Loan Agreement.

### ***Swap Agreement***

We were party to a \$45.0 million LIBOR based interest rate Swap Agreement with JPMorgan Chase Bank, N.A. as the counter-party (the *Swap Agreement*), which expired on June 30, 2011. The Swap Agreement was intended to hedge our exposure to market interest rate risk by effectively fixing, at 5.44%, a portion of the LIBOR component of the interest rate determined under our existing LIBOR based loan agreements. We are currently fully exposed to interest rate risk on our aggregate borrowings floating at market rates.

### ***Capital Expenditures***

Since we generally lease our properties on a triple-net basis, we have not historically incurred significant capital expenditures other than those related to acquisitions. Our property acquisitions and capital expenditures for the year ended December 31, 2011, 2010, and 2009 amounted to \$167.5 million, \$4.7 million, and \$55.3 million, respectively. As part of the repositioning of the properties subject to the Master Lease, we are evaluating potential capital expenditures and funding sources. We have no current plans to make material improvements to any of our properties other than the properties subject to the Master Lease. However, our tenants frequently make improvements to the properties leased from us at their expense. (For additional information regarding capital expenditures related to the properties subject to the Master Lease, see *Item 2. Properties*).

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To the extent that our sources of liquidity are not sufficient to fund capital expenditures, we will require other sources of capital, which may or may not be available on favorable terms or at all.

**Dividends**

We elected to be treated as a REIT under the federal income tax laws with the year beginning January 1, 2001. To qualify for taxation as a REIT, we, among other requirements, must distribute annually to our stockholders at least 90% of our taxable income, including taxable income that is accrued by us without a corresponding receipt of cash. We cannot provide any assurance that our cash flows will permit us to continue paying cash dividends. The Internal Revenue Service ( IRS ) has allowed the use of a procedure, as a result of which we could satisfy the REIT income distribution requirement by making a distribution on our common stock comprised of (i) shares of our common stock having a value of up to 90% of the total distribution and (ii) cash in the remaining amount of the total distribution, in lieu of paying the distribution entirely in cash. The procedure will only apply to distributions made after 2011 to the extent that we properly elect under applicable law to treat such distributions as made out of taxable income that arose in 2011. We cannot provide any assurance that we will be able to satisfy our REIT income distribution requirement with respect to taxable income arising in 2012 and thereafter by making distributions payable in whole or in part in shares of our common stock. It is also possible that instead of distributing 100% of our taxable income on an annual basis, we may decide to retain a portion of our taxable income and to pay taxes on such amounts as permitted by the IRS. Payment of dividends is subject to market conditions, our financial condition, including but not limited to, our continued compliance with the provisions of the Amended Credit Agreement and the Amended Term Loan Agreement and other factors, and therefore is not assured. In particular, our Amended Credit Agreement and Amended Term Loan Agreement prohibit the payment of dividends during certain events of default. Cash dividends paid to our shareholders aggregated \$63.4 million, \$52.3 million, and \$46.8 million for the years ended December 31, 2011, 2010, and 2009, respectively. We reduced our quarterly dividend rate to \$0.25 per share in the quarter ended December 2011. Due to the uncertainty regarding our revenues and expenses as a result of Marketing's bankruptcy filing and the restrictions contained in the Amended Credit Agreement and the Amended Term Loan Agreement discussed above, there can be no assurance that we will be able to continue to pay cash dividends at the rate of \$0.25 per share per quarter in cash or a combination of cash and our stock, if at all.

**Public Offerings**

During the first quarter of 2011, we completed a public stock offering of 3.45 million shares of our common stock. Substantially all of the \$92.0 million net proceeds from the offering were used to repay a portion of the outstanding balance under our Credit Agreement and the remainder was used for general corporate purposes. During the second quarter of 2010, we completed a public stock offering of 5.2 million shares of our common stock. Substantially all of the \$108.2 million net proceeds from the offering were used to repay a portion of the outstanding balance under our Credit Agreement, and the remainder was used for general corporate purposes.

**CONTRACTUAL OBLIGATIONS**

Our significant contractual obligations and commitments are comprised of borrowings under the Credit Agreement and the Term Loan Agreement, operating lease payments due to landlords and estimated environmental remediation expenditures. In addition, as a REIT, we are required to pay dividends equal to at least 90% of our taxable income in order to continue to qualify as a REIT. Our contractual obligations and commitments as of December 31, 2011 are summarized below (in thousands):

|                                                      | <b>TOTAL</b>      | <b>LESS<br/>THAN-<br/>ONE YEAR</b> | <b>ONE-TO<br/>THREE<br/>YEARS</b> | <b>THREE<br/>TO<br/>FIVE<br/>YEARS</b> | <b>MORE<br/>THAN<br/>FIVE<br/>YEARS</b> |
|------------------------------------------------------|-------------------|------------------------------------|-----------------------------------|----------------------------------------|-----------------------------------------|
| Operating leases                                     | \$ 34,395         | \$ 8,140                           | \$ 12,257                         | \$ 7,426                               | \$ 6,572                                |
| Borrowings under the Credit Agreement (a)            | 147,700           |                                    | 147,700                           |                                        |                                         |
| Borrowings under the Term Loan Agreement (a)         | 22,810            | 780                                | 22,030                            |                                        |                                         |
| Estimated environmental remediation expenditures (b) | 57,700            | 18,488                             | 15,947                            | 7,957                                  | 15,308                                  |
| <b>Total</b>                                         | <b>\$ 262,605</b> | <b>\$ 27,408</b>                   | <b>\$ 197,934</b>                 | <b>\$ 15,383</b>                       | <b>\$ 21,880</b>                        |

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- (a) Excludes related interest payments. (See Liquidity and Capital Resources above and Item 7A. Quantitative and Qualitative Disclosures About Market Risk for additional information.)
- (b) Estimated environmental remediation expenditures have been adjusted for inflation and discounted to present value.

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Generally, the leases with our tenants are triple-net leases, with the tenant responsible for the operations conducted at these properties and for the payment of taxes, maintenance, repair, insurance, environmental remediation and other operating expenses.

We have no significant contractual obligations not fully recorded on our consolidated balance sheets or fully disclosed in the notes to our consolidated financial statements. We have no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the Exchange Act.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The consolidated financial statements included in this Annual Report on Form 10-K have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in its financial statements. Although we have made estimates, judgments and assumptions regarding future uncertainties relating to the information included in our financial statements, giving due consideration to the accounting policies selected and materiality, actual results could differ from these estimates, judgments and assumptions and such differences could be material.

Estimates, judgments and assumptions underlying the accompanying consolidated financial statements include, but are not limited to, accounts receivable, deferred rent receivable, income under direct financing leases, environmental remediation costs, real estate, depreciation and amortization, impairment of long-lived assets, litigation, accrued liabilities, income taxes and allocation of the purchase price of properties acquired to the assets acquired and liabilities assumed. The information included in our financial statements that is based on estimates, judgments and assumptions is subject to significant change and is adjusted as circumstances change and as the uncertainties become more clearly defined.

As of December 31, 2011, the \$25.6 million deferred rent receivable attributable to the Master Lease was fully reserved. In addition, as of December 31, 2011, \$8.8 million of pre-petition claims for unpaid fixed rent and real estate taxes due from Marketing included in accounts receivable was fully reserved. In the fourth quarter of 2011, since we could no longer assume that Marketing would be able to meet its environmental remediation obligations at 246 properties and its obligations to remove underground storage tanks at the end of their useful life or earlier if circumstances warrant, we accrued \$47.9 million as the aggregate Marketing Environmental Liabilities. The actual amount of the Marketing Environmental Liabilities may differ from the amount accrued. In accordance with GAAP, we increased the carrying value for each of the affected properties by the amount of the related estimated environmental obligation which resulted in simultaneously recording impairment charges aggregating \$17.0 million where the increased carrying value of the property exceeded its estimated fair value. Our estimates, judgments, assumptions and beliefs regarding Marketing and the Master Lease made effective December 31, 2011 that affect the amounts reported in our financial statements are reviewed on an ongoing basis and are subject to possible change. It is possible that we may be required to record impairment charges related to the portfolio of properties or adjust our accrual for the Marketing Environmental Liabilities as a result of changes in our estimates, judgments, assumptions and beliefs regarding Marketing and the Master Lease that affect the amounts reported in our financial statements.

Our accounting policies are described in note 1 of Notes to Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements. We believe that the more critical of our accounting policies relate to revenue recognition and deferred rent receivable and related reserves, impairment of long-lived assets, income taxes, environmental costs, allocation of the purchase price of properties acquired to the assets acquired and liabilities assumed and litigation as described below:

**Revenue recognition** We earn revenue primarily from operating leases with our tenants. We recognize income under leases with our tenants, on the straight-line method, which effectively recognizes contractual lease payments evenly over the current term of the leases. The present value of the difference between the fair market rent and the contractual rent for in-place leases at the time properties are acquired is amortized into revenue from rental properties over the remaining lives of the in-place leases. A critical assumption in applying the straight-line accounting method is that the tenant will make all contractual lease payments during the current lease term and that the net deferred rent receivable of \$8.1 million recorded as of December 31, 2011 will be collected when the payment is due, in accordance with the annual rent escalations provided for in the leases. Historically our tenants, other than Marketing, with leases that are material to our financial results have generally made rent payments when due. However, we may be required to reverse, or provide reserves for, or adjust our \$25.6 million reserve as of December 31, 2011 for, a portion of the recorded deferred rent receivable if it becomes apparent that a property may be disposed of before the end of the current lease term or if circumstances indicate that the tenant may not make all of its contractual lease payments when due during the current term of the

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lease. The straight-line method requires that rental income related to those properties for which a reserve was specifically provided is effectively recognized in subsequent periods when payment is due under the contractual payment terms. (See General Marketing and the Master Lease above for additional information.)

**Direct financing leases** Income under direct financing leases is included in revenues from rental properties and is recognized over the lease terms using the effective interest rate method which produces a constant periodic rate of return on the net investments in the leased properties. Net investment in direct financing leases represents the investments in leased assets accounted for as direct financing leases. The investments are reduced by the receipt of lease payments, net of interest income earned and amortized over the life of the leases.

**Impairment of long-lived assets** Real estate assets represent long-lived assets for accounting purposes. We review the recorded value of long-lived assets for impairment in value whenever any events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We may become aware of indicators of potentially impaired assets upon tenant or landlord lease renewals, upon receipt of notices of potential governmental takings and zoning issues, or upon other events that occur in the normal course of business that would cause us to review the operating results of the property. We believe our real estate assets are not carried at amounts in excess of their estimated net realizable fair value amounts.

**Income taxes** Our financial results generally do not reflect provisions for current or deferred federal income taxes since we elected to be treated as a REIT under the federal income tax laws effective January 1, 2001. Our intention is to operate in a manner that will allow us to continue to be treated as a REIT and, as a result, we do not expect to pay substantial corporate-level federal income taxes. Many of the REIT requirements, however, are highly technical and complex. If we were to fail to meet the requirements, we may be subject to federal income tax, excise taxes, penalties and interest or we may have to pay a deficiency dividend to eliminate any earnings and profits that were not distributed. Certain states do not follow the federal REIT rules and we have included provisions for these taxes in rental property expenses.

**Environmental costs** We provide for the estimated fair value of future environmental remediation costs when it is probable that a liability has been incurred and a reasonable estimate of fair value can be made (see Environmental Matters below for additional information). Environmental liabilities net of related recoveries are measured based on their expected future cash flows which have been adjusted for inflation and discounted to present value. Since environmental exposures are difficult to assess and estimate and knowledge about these liabilities is not known upon the occurrence of a single event, but rather is gained over a continuum of events, we believe that it is appropriate that our accrual estimates are adjusted as the remediation treatment progresses, as circumstances change and as environmental contingencies become more clearly defined and reasonably estimable. A critical assumption in accruing for these liabilities is that the state environmental laws and regulations will be administered and enforced in the future in a manner that is consistent with past practices. Environmental liabilities are estimated net of recoveries of environmental costs from state UST remediation funds, with respect to past and future spending based on estimated recovery rates developed from our experience with the funds when such recoveries are considered probable. A critical assumption in accruing for these recoveries is that the state UST fund programs will be administered and funded in the future in a manner that is consistent with past practices and that future environmental spending will be eligible for reimbursement at historical rates under these programs. We accrue environmental liabilities based on our share of responsibility as defined in our lease contracts with our tenants and under various other agreements with others or if circumstances indicate that the counter-party may not have the financial resources to pay its share of the costs. It is possible that our assumptions regarding the ultimate allocation method and share of responsibility that we used to allocate environmental liabilities may change, which may result in material adjustments to the amounts recorded for environmental litigation accruals and environmental remediation liabilities. We may ultimately be responsible to pay for environmental liabilities as the property owner if our tenants or other counter-parties fail to pay them. In certain environmental matters the effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists both in terms of the probability of loss and the estimate of such loss. The ultimate liabilities resulting from such lawsuits and claims, if any, may be material to our results of operations in the period in which they are recognized.

**Litigation** Legal fees related to litigation are expensed as legal services are performed. We provide for litigation reserves, including certain environmental litigation (see Environmental Matters below for additional information), when it is probable that a liability has been incurred and a reasonable estimate of the liability can be made. If the estimate of the liability can only be identified as a range, and no amount within the range is a better estimate than any other amount, the minimum of the range is accrued for the liability.

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Allocation of the purchase price of properties acquired Upon acquisition of real estate and leasehold interests, we estimate the fair value of acquired tangible assets (consisting of land, buildings and improvements) as if vacant and identified intangible assets and liabilities (consisting of leasehold interests, above-market and below-market leases, in-place leases and tenant relationships) and assumed debt. Based on these estimates, we allocate the purchase price to the applicable assets and liabilities.

## **ENVIRONMENTAL MATTERS**

### ***General***

We are subject to numerous existing federal, state and local laws and regulations, including matters relating to the protection of the environment such as the remediation of known contamination and the retirement and decommissioning or removal of long-lived assets including buildings containing hazardous materials, USTs and other equipment. Environmental expenses are principally attributable to remediation costs which include installing, operating, maintaining and decommissioning remediation systems, monitoring contamination and governmental agency reporting incurred in connection with contaminated properties. We seek reimbursement from state UST remediation funds related to these environmental expenses where available. We do not maintain pollution legal liability insurance to protect from potential future claims related to known and unknown environmental liabilities.

We enter into leases and various other agreements which allocate responsibility for known and unknown environmental liabilities by establishing the percentage and method of allocating responsibility between the parties. In accordance with the leases with certain tenants, we have agreed to bring the leased properties with known environmental contamination to within applicable standards, and to either regulatory or contractual closure ( Closure ). Generally, upon achieving Closure at each individual property, our environmental liability under the lease for that property will be satisfied and future remediation obligations will be the responsibility of our tenant.

Our tenants are directly responsible to pay for (i) remediation of environmental contamination they cause and compliance with various environmental laws and regulations as the operators of our properties, and (ii) environmental liabilities allocated to them under the terms of our leases and various other agreements. Generally the liability for the retirement and decommissioning or removal of USTs and other equipment is the responsibility of our tenants. We are contingently liable for these obligations in the event that the tenants do not satisfy their responsibilities. A liability has not been accrued for obligations that are the responsibility of our tenants, other than the \$47.9 million accrued in the fourth quarter of 2011 for the Marketing Environmental Liabilities, based on the tenants history of paying such obligations and/or our assessment of their financial ability and intent to pay their share of such costs. However, there can be no assurance that our assessments are correct or that our tenants who have paid their obligations in the past will continue to do so.

It is possible that our assumptions regarding the ultimate allocation method and share of responsibility that we used to allocate environmental liabilities may change, which may result in material adjustments to the amounts recorded for environmental litigation accruals and environmental remediation liabilities. We are required to accrue for environmental liabilities that we believe are allocable to others under various other agreements if we determine that it is probable that the counter-party will not meet its environmental obligations. The ultimate resolution of these matters could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

The estimated future costs for known environmental remediation requirements are accrued when it is probable that a liability has been incurred and a reasonable estimate of fair value can be made. The environmental remediation liability is estimated based on the level and impact of contamination at each property. The accrued liability is the aggregate of the best estimate of the fair value of cost for each component of the liability net of estimated recoveries from state UST remediation funds considering estimated recovery rates developed from prior experience with the funds.

Environmental exposures are difficult to assess and estimate for numerous reasons, including the extent of contamination, alternative treatment methods that may be applied, location of the property which subjects it to differing local laws and regulations and their interpretations, as well as the time it takes to remediate contamination. In developing our liability for estimated environmental remediation costs on a property by property basis, we consider among other things, enacted laws and regulations, assessments of contamination and surrounding geology, quality of information available, currently available technologies for treatment, alternative methods of remediation and prior experience. Environmental accruals are based on estimates which are subject to significant change, and are adjusted as the remediation treatment progresses, as circumstances change and as environmental contingencies become more clearly defined and reasonably estimable.

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Of the 797 properties subject to the Master Lease as of December 31, 2011, we had agreed to pay all costs relating to, and to indemnify Marketing for, certain environmental liabilities at 160 retail properties that have not achieved Closure and are scheduled in the Master Lease, and provide limited indemnification to Marketing for certain pre-existing conditions at six of the terminals we own and leases to Marketing. In the fourth quarter of 2011, since we could no longer assume that Marketing would be able to meet its environmental remediation obligations at 246 properties and its obligations to remove underground storage tanks at the end of their useful life or earlier if circumstances warrant, we accrued \$47.9 million as the aggregate Marketing Environmental Liabilities. In conjunction with recording the Marketing Environmental Liabilities, we increased the carrying value for each of the related properties by the amount of the related estimated environmental obligation and simultaneously recorded impairment charges aggregating \$17.0 million where the increased carrying value of the property exceeded its estimated fair value. The increases in carrying values of the properties will be depreciated over the estimated remaining life of the underground storage tank, a ten year period if the increase in carrying value related to environmental remediation obligations or such shorter period if circumstances warrant, such as the remaining lease term for properties we lease from others. The actual amount of the Marketing Environmental Liabilities may be significantly higher and we can provide no assurance as to the accuracy of its estimates.

Environmental obligations are measured at fair value based on their expected future net cash flows which have been adjusted for inflation and discounted to present value. The estimated environmental remediation cost and accretion expense included in environmental expenses included in continuing operations in our consolidated statements of operations aggregated \$2.6 million, \$2.7 million and \$3.9 million for 2011, 2010 and 2009, respectively. In addition to estimated environmental remediation costs, environmental expenses also include project management fees, legal fees and provisions for environmental litigation loss reserves.

As of December 31, 2011, 2010, 2009 and 2008 we had accrued \$57.7 million, \$10.9 million, \$12.6 million and \$13.4 million, respectively, as management's best estimate of the fair value of reasonably estimable environmental remediation costs and obligations to remove USTs. The accrued environmental liabilities are accreted for the change in present value due to the passage of time and, accordingly, \$0.9 million, \$0.8 million, and \$0.9 million of accretion expense was recorded for the years ended December 31, 2011, 2010, and 2009, respectively, substantially all of which is included in environmental expenses and the remainder of which is included in discontinued operations.

Environmental liabilities are currently measured at fair value based on their expected future net cash flows which have been adjusted for inflation and discounted to present value. We also use probability weighted alternative cash flow forecasts to determine fair value. We assumed a 50% probability factor that the actual environmental expenses will exceed engineering estimates for an amount assumed to equal one year of net expenses. Accordingly, the environmental accrual as of December 31, 2011 was increased by \$5.0 million before inflation and present value discount adjustments. The resulting environmental accrual as of December 31, 2011 was then further increased by \$10.1 million for the assumed impact of inflation using an inflation rate of 2.75%. Assuming a credit-adjusted risk-free discount rate of 7.00%, we then reduced the net environmental accrual, as previously adjusted, by a \$20.6 million discount to present value. Had we assumed an inflation rate that was 0.50% higher and a discount rate that was 0.50% lower, net environmental liabilities accrued as of December 31, 2011 would have increased by an aggregate of \$2.2 million. However, the aggregate net change in environmental estimates expense recorded during the year ended December 31, 2011 would not have changed significantly if these changes in the assumptions were made effective December 31, 2010.

We cannot predict what environmental legislation or regulations may be enacted in the future or how existing laws or regulations will be administered or interpreted with respect to products or activities to which they have not previously been applied. We cannot predict if state UST fund programs will be administered and funded in the future in a manner that is consistent with past practices and if future environmental spending will continue to be eligible for reimbursement at historical recovery rates under these programs. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretation of existing laws, which may develop in the future, could have an adverse effect on our financial position, or that of its tenants, and could require substantial additional expenditures for future remediation.

In view of the uncertainties associated with environmental expenditures contingencies related to our tenants and other parties, however, we believe it is possible that the fair value of future actual net expenditures could be substantially higher than amounts currently recorded by us. Adjustments to accrued liabilities for environmental remediation costs will be reflected in our financial statements as they become probable and a reasonable estimate of fair value can be made. Future environmental expenses could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

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### ***Environmental litigation***

We are subject to various legal proceedings and claims which arise in the ordinary course of our business. As of December 31, 2011 and December 31, 2010, we had accrued \$4.2 million and \$3.3 million, respectively, for certain of these matters which we believe were appropriate based on information then currently available. It is possible that our assumptions regarding the ultimate allocation method and share of responsibility that we used to allocate environmental liabilities may change, which may result in our providing an accrual, or adjustments to the amounts recorded, for environmental litigation accruals. Matters related to the our Newark, New Jersey Terminal and Lower Passaic River and the MTBE multi-district litigation case, in particular, could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price. (See Item 3. Legal Proceedings for additional information with respect to these and other pending environmental lawsuits and claims.)

#### ***Matters related to our Newark, New Jersey Terminal and the Lower Passaic River***

In September 2003, we received a directive (the Directive) from the State of New Jersey Department of Environmental Protection (the NJDEP) notifying us that it is one of approximately 66 potentially responsible parties for natural resource damages resulting from discharges of hazardous substances into the Lower Passaic River. The Directive calls for an assessment of the natural resources that have been injured by the discharges into the Lower Passaic River and interim compensatory restoration for the injured natural resources. There has been no material activity with respect to the NJDEP Directive since early after its issuance. The responsibility for the alleged damages, the aggregate cost to remediate the Lower Passaic River, the amount of natural resource damages and the method of allocating such amounts among the potentially responsible parties have not been determined. Effective May 2007, the United States Environmental Protection Agency (EPA) entered into an Administrative Settlement Agreement and Order on Consent (AOC) with over 70 parties comprising a Cooperating Parties Group (CPG) (many of whom are also named in the Directive) who have collectively agreed to perform a Remedial Investigation and Feasibility Study (RI/FS) for the Lower Passaic River. We are a party to the AOC and are a member of the CPG. The RI/FS is intended to address the investigation and evaluation of alternative remedial actions with respect to alleged damages to the Lower Passaic River, and is scheduled to be completed in or about 2015. The RI/FS does not resolve liability issues for remedial work or restoration of, or compensation for, natural resource damages to the Lower Passaic River, which are not known at this time.

In a related action, in December 2005, the State of New Jersey through various state agencies brought suit against certain companies which the State alleges are responsible for various categories of past and future damages resulting from discharges of hazardous substances to the Passaic River. In February 2009, certain of these defendants filed third party complaints against approximately 300 additional parties, including us, seeking contribution for such parties proportionate share of response costs, cleanup and other damages, based on their relative contribution to pollution of the Passaic River and adjacent bodies of water. We believe that ChevronTexaco is contractually obligated to indemnify us, pursuant to an indemnification agreement, for most if not all of the conditions at the property identified by the NJDEP and the EPA. Accordingly, our ultimate legal and financial liability, if any, cannot be estimated with any certainty at this time.

#### ***MTBE Litigation***

During 2011, we were defending against one remaining lawsuit of many brought by or on behalf of private and public water providers and governmental agencies. These cases alleged (and, as described below with respect to one remaining case, continue to allege) various theories of liability due to contamination of groundwater with methyl tertiary butyl ether (a fuel derived from methanol, commonly referred to as MTBE) as the basis for claims seeking compensatory and punitive damages, and name as defendant approximately 50 petroleum refiners, manufacturers, distributors and retailers of MTBE, or gasoline containing MTBE. During 2010, we agreed to, and subsequently paid, \$1.7 million to settle two plaintiff classes covering 52 pending cases. Presently, we remain a defendant in one MTBE case involving multiple locations throughout the State of New Jersey brought by various governmental agencies of the State of New Jersey, including the NJDEP.

As of December 31, 2011 and December 31, 2010, we maintained a litigation reserve relating to the remaining MTBE case in an amount which we believe was appropriate based on information then currently available. However, we are unable to estimate with certainty our liability for the case involving the State of New Jersey as there remains uncertainty as to the accuracy of the allegations in this case as they relate to us, our defenses to the claims, our rights to indemnification, and the aggregate possible amount of damages for which we may be held liable.

**Table of Contents****Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

Prior to April 2006, when we entered into a swap agreement with JPMorgan Chase, N.A. (the "Swap Agreement"), we had not used derivative financial or commodity instruments for trading, speculative or any other purpose, and had not entered into any instruments to hedge our exposure to interest rate risk. The Swap Agreement expired on June 30, 2011 and we currently do not intend to enter into another swap agreement. We do not have any foreign operations, and are therefore not exposed to foreign currency exchange rate.

We are exposed to interest rate risk, primarily as a result of our \$175.0 million Credit Agreement as amended on March 9, 2012 and our \$25.0 million Term Loan Agreement as amended on March 9, 2012. We use borrowings under the Credit Agreement/Amended Credit Agreement to finance acquisitions and for general corporate purposes. We used borrowings under the Term Loan Agreement/Amended Term Loan Agreement to partially finance an acquisition in September 2009. Total borrowings outstanding as of December 31, 2011 under the Credit Agreement and the Term Loan Agreement were \$147.7 million and \$22.8 million, respectively, bearing interest at a weighted-average rate of 2.42% per annum. The weighted-average effective rate is based on (i) \$147.7 million of LIBOR rate borrowings outstanding under the Credit Agreement floating at market rates plus a margin of 1.00%, and (ii) \$22.8 million of LIBOR based borrowings outstanding under the Term Loan Agreement floating at market rates (subject to a 30 day LIBOR floor of 0.40%) plus a margin of 3.10%. Our Credit Agreement, permitted borrowings at an interest rate equal to the sum of a base rate plus a margin of 0.00% or 0.25% or a LIBOR rate plus a margin of 1.00%, 1.25% or 1.50%. The applicable margin was based on our leverage ratio at the end of the prior calendar quarter, as defined in the Credit Agreement. The Amended Credit Agreement permits borrowings at an interest rate equal to the sum of a base rate plus a margin of 2.00% or a LIBOR rate plus a margin of 3.00%. The Amended Term Loan Agreement bears interest at the same rate as the Term Loan Agreement. Accordingly, the weighted-average interest rate would have been 3.28% as of December 31, 2011 if the amended agreements were in place on that date. It is possible that our business operations or liquidity may be further adversely affected by Marketing's bankruptcy filing and our ability to reposition the portfolio and generate cash flow from the properties subject to the Master Lease as discussed in "General - Marketing and the Master Lease" above and as a result we may be in default of our Amended Credit Agreement or Amended Term Loan Agreement which if such default was not cured or waived would prohibit us from drawing funds against the Amended Credit Agreement. An event of default if not cured or waived would increase by 200 basis points (2.00%) the interest rate we pay under our Amended Credit Agreement and would increase by 300 basis points (3.00%) the interest rate we pay under the Amended Term Loan Agreement. We may be required to enter into alternative loan agreements, sell assets, reduce or eliminate our dividend or issue additional equity at unfavorable terms if we do not have access to funds under our Amended Credit Agreement or our Amended Term Loan Agreement.

We manage our exposure to interest rate risk by minimizing, to the extent feasible, our overall borrowing and monitoring available financing alternatives. Our interest rate risk as of December 31, 2011 has increased significantly, as compared to December 31, 2010 primarily as a result of \$113.0 million drawn under the Credit Agreement to finance the transaction with CPD NY and \$92.1 million drawn under the Credit Agreement to finance the transaction with Nouria, partially offset by the repayment of approximately \$92.0 million of the borrowings then outstanding under the Credit Agreement with funds primarily received from the proceeds of a 3.45 million share common stock offering. Our interest rate risk may materially change in the future if we seek other sources of debt or equity capital or refinance our outstanding debt.

We entered into a \$45.0 million LIBOR based interest rate Swap Agreement, which expired on June 30, 2011, to manage a portion of our interest rate risk. The Swap Agreement was intended to hedge \$45.0 million of our exposure to variable interest rate risk by effectively fixing, at 5.44%, the LIBOR component of the interest rate determined under our loan agreements. As a result, we were exposed to interest rate risk to the extent that our aggregate borrowings floating at market rates exceeded the \$45.0 million notional amount of the Swap Agreement. Under the terms of the Amended Credit Agreement, we are not permitted to enter into another swap agreement. It is possible that we may significantly change how we manage our interest rate risk in the near future due to, among other factors, the acquisition of properties or seeking other sources of capital.

We entered into the \$45.0 million notional five year interest rate Swap Agreement, designated and qualifying as a cash flow hedge to reduce our exposure to the variability in future cash flows attributable to changes in the LIBOR rate. Our primary objective when undertaking hedging transactions and derivative positions is to reduce our variable interest rate risk by effectively fixing a portion of the interest rate for existing debt and anticipated refinancing transactions. This in turn, reduces the risks that the variability of cash flows imposes on variable rate debt. Our strategy protected us against future increases in interest rates. Although the Swap Agreement was intended to lessen the impact of rising interest rates, it also exposed us to the risk that the other party to the agreement will not perform, the agreement will be unenforceable and the underlying transactions will fail to qualify as a highly-effective cash flow hedge for accounting purposes. While the use of an interest rate Swap Agreement is intended to lessen the adverse impact of rising interest rates, it also conversely limits the positive impact that could be realized from falling interest rates with respect to the portion of our variable rate debt covered by the interest rate Swap Agreement.

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Based on our aggregate average outstanding borrowings under the Credit Agreement/Amended Credit Agreement and the Term Loan Agreement/Amended Term Loan Agreement projected at \$173.4 million for 2012, an increase in market interest rates of 0.50% along with the 2.0% increase in the LIBOR interest rate margin pursuant to the Amended the Credit Agreement effective March 9, 2012 for 2012 would decrease our 2012 net income and cash flows by \$3.5 million. This amount was determined by calculating the effect of a hypothetical interest rate change on our aggregate borrowings floating at market rates, and assumes that the \$147.7 million outstanding borrowings under the Credit Agreement as of December 31, 2011 plus \$4.0 million drawn in March 2012 to cover refinancing costs plus the \$22.4 million average scheduled outstanding borrowings for 2012 under the Term Loan Agreement/Amended Term Loan Agreement is indicative of our future average borrowings for 2012 before considering additional borrowings required for future acquisitions or repayment of outstanding borrowings from proceeds of future equity offerings. The calculation also assumes that there are no other changes in our financial structure or the terms of our borrowings. Our exposure to fluctuations in interest rates will increase or decrease in the future with increases or decreases in the outstanding amount under our Amended Credit Agreement, with decreases in the outstanding amount under our Amended Term Loan Agreement and with increases or decreases in amounts outstanding under borrowing agreements entered into with interest rates floating at market rates.

In order to minimize our exposure to credit risk associated with financial instruments, we place our temporary cash investments with high-credit-quality institutions. Temporary cash investments, if any, are currently held in an overnight bank time deposit with JPMorgan Chase Bank, N.A.

### **Item 8. Financial Statements and Supplementary Data**

#### **GETTY REALTY CORP. INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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**GETTY REALTY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)

|                                              | <b>YEAR ENDED DECEMBER 31,</b> |             |             |
|----------------------------------------------|--------------------------------|-------------|-------------|
|                                              | <b>2011</b>                    | <b>2010</b> | <b>2009</b> |
| Revenues:                                    |                                |             |             |
| Revenues from rental properties              | \$ 110,218                     | \$ 88,059   | \$ 84,043   |
| Interest on notes and mortgages receivable   | 2,658                          | 133         | 127         |
| Total revenues                               | 112,876                        | 88,192      | 84,170      |
| Operating expenses:                          |                                |             |             |
| Rental property expenses                     | 16,723                         | 10,070      | 10,653      |
| Impairment charges                           | 19,976                         |             | 1,135       |
| Environmental expenses, net                  | 5,828                          | 5,429       | 8,745       |
| General and administrative expenses          | 23,585                         | 8,178       | 6,849       |
| Allowance for deferred rent receivable       | 19,758                         |             |             |
| Depreciation and amortization expense        | 10,287                         | 9,650       | 10,678      |
| Total operating expenses                     | 96,157                         | 33,327      | 38,060      |
| Operating income                             | 16,719                         | 54,865      | 46,110      |
| Other income, net                            | 16                             | 156         | 420         |
| Interest expense                             | (5,125)                        | (5,050)     | (5,091)     |
| Earnings from continuing operations          | 11,610                         | 49,971      | 41,439      |
| Discontinued operations:                     |                                |             |             |
| Earnings (loss) from operating activities    | (102)                          | 24          | 246         |
| Gains on dispositions of real estate         | 948                            | 1,705       | 5,364       |
| Earnings from discontinued operations        | 846                            | 1,729       | 5,610       |
| Net earnings                                 | \$ 12,456                      | \$ 51,700   | \$ 47,049   |
| Basic and diluted earnings per common share: |                                |             |             |
| Earnings from continuing operations          | \$ .34                         | \$ 1.78     | \$ 1.67     |
| Earnings from discontinued operations        | \$ .03                         | \$ .06      | \$ .23      |
| Net earnings                                 | \$ .37                         | \$ 1.84     | \$ 1.89     |
| Weighted average shares outstanding:         |                                |             |             |
| Basic                                        | 33,171                         | 27,950      | 24,766      |
| Stock options                                | 1                              | 3           | 1           |
| Diluted                                      | 33,172                         | 27,953      | 24,767      |

The accompanying notes are an integral part of these consolidated financial statements.

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**GETTY REALTY CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(in thousands)**

|                                           | <b>YEAR ENDED DECEMBER 31,</b> |             |             |
|-------------------------------------------|--------------------------------|-------------|-------------|
|                                           | <b>2011</b>                    | <b>2010</b> | <b>2009</b> |
| Net earnings                              | \$ 12,456                      | \$ 51,700   | \$ 47,049   |
| Other comprehensive gain:                 |                                |             |             |
| Net unrealized gain on interest rate swap | 1,153                          | 1,840       | 1,303       |
| Comprehensive income                      | \$ 13,609                      | \$ 53,540   | \$ 48,352   |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****GETTY REALTY CORP. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

|                                                                                                                                                   | <b>DECEMBER 31,</b> |             |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
|                                                                                                                                                   | <b>2011</b>         | <b>2010</b> |
| <b>ASSETS:</b>                                                                                                                                    |                     |             |
| Real Estate:                                                                                                                                      |                     |             |
| Land                                                                                                                                              | \$ 345,473          | \$ 253,413  |
| Buildings and improvements                                                                                                                        | 270,381             | 251,174     |
|                                                                                                                                                   | 615,854             | 504,587     |
| Less accumulated depreciation and amortization                                                                                                    | (137,117)           | (144,217)   |
| Real estate, net                                                                                                                                  | 478,737             | 360,370     |
| Net investment in direct financing leases                                                                                                         | 92,632              | 20,540      |
| Deferred rent receivable (net of allowance of \$25,630 at December 31, 2011 and \$8,170 at December 31, 2010)                                     | 8,080               | 27,385      |
| Cash and cash equivalents                                                                                                                         | 7,698               | 6,122       |
| Other receivables, net                                                                                                                            | 1,089               | 567         |
| Notes, mortgages and accounts receivable (net of allowance of \$9,480 at December 31, 2011 and \$361 at December 31, 2010)                        | 36,083              | 1,525       |
| Prepaid expenses and other assets                                                                                                                 | 10,770              | 6,669       |
| Total assets                                                                                                                                      | \$ 635,089          | \$ 423,178  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>                                                                                                      |                     |             |
| Borrowings under credit line                                                                                                                      | \$ 147,700          | \$ 41,300   |
| Term loan                                                                                                                                         | 22,810              | 23,590      |
| Environmental remediation costs                                                                                                                   | 57,700              | 10,908      |
| Dividends payable                                                                                                                                 |                     | 14,432      |
| Accounts payable and accrued liabilities                                                                                                          | 34,710              | 18,013      |
| Total liabilities                                                                                                                                 | 262,920             | 108,243     |
| Commitments and contingencies (notes 2, 3, 5 and 6)                                                                                               |                     |             |
| Shareholders' equity:                                                                                                                             |                     |             |
| Common stock, par value \$.01 per share; authorized 50,000,000 shares; issued 33,394,395 at December 31, 2011 and 29,944,155 at December 31, 2010 | 334                 | 299         |
| Paid-in capital                                                                                                                                   | 460,687             | 368,093     |
| Dividends paid in excess of earnings                                                                                                              | (88,852)            | (52,304)    |
| Accumulated other comprehensive loss                                                                                                              |                     | (1,153)     |
| Total shareholders' equity                                                                                                                        | 372,169             | 314,935     |
| Total liabilities and shareholders' equity                                                                                                        | \$ 635,089          | \$ 423,178  |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****GETTY REALTY CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

|                                                                                          | <b>YEAR ENDED DECEMBER 31,</b> |                 |                 |
|------------------------------------------------------------------------------------------|--------------------------------|-----------------|-----------------|
|                                                                                          | <b>2011</b>                    | <b>2010</b>     | <b>2009</b>     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                             |                                |                 |                 |
| Net earnings                                                                             | \$ 12,456                      | \$ 51,700       | \$ 47,049       |
| Adjustments to reconcile net earnings to net cash flow provided by operating activities: |                                |                 |                 |
| Depreciation and amortization expense                                                    | 10,336                         | 9,738           | 11,027          |
| Impairment charges                                                                       | 20,226                         |                 | 1,135           |
| Gains on dispositions of real estate                                                     | (968)                          | (1,705)         | (5,467)         |
| Deferred rent receivable, net of allowance                                               | (453)                          | 96              | (763)           |
| Allowance for deferred rent and accounts receivable                                      | 28,879                         | 229             | 120             |
| Amortization of above-market and below-market leases                                     | (685)                          | (1,260)         | (1,217)         |
| Accretion expense                                                                        | 899                            | 775             | 884             |
| Stock-based employee compensation expense                                                | 643                            | 480             | 390             |
| Changes in assets and liabilities:                                                       |                                |                 |                 |
| Other receivables, net                                                                   | 228                            | 408             | (669)           |
| Net investment in direct financing leases                                                | 505                            | (323)           | (85)            |
| Accounts receivable, net                                                                 | (14,890)                       | (189)           | (175)           |
| Prepaid expenses and other assets                                                        | 130                            | (483)           | 339             |
| Environmental remediation costs                                                          | (1,981)                        | (2,512)         | (1,676)         |
| Accounts payable and accrued liabilities                                                 | 5,905                          | (31)            | 1,640           |
| <b>Net cash flow provided by operating activities</b>                                    | <b>61,230</b>                  | <b>56,923</b>   | <b>52,532</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                             |                                |                 |                 |
| Property acquisitions and capital expenditures                                           | (167,495)                      | (4,725)         | (55,317)        |
| Proceeds from dispositions of real estate                                                | 3,385                          | 2,858           | 6,939           |
| (Increase) decrease in cash held for property acquisitions                               | (750)                          | 2,665           | (1,623)         |
| Issuance of notes and mortgages receivable                                               | (31,468)                       |                 | (300)           |
| Collection of notes and mortgages receivable                                             | 2,679                          | 158             | 155             |
| <b>Net cash flow provided by (used in) investing activities</b>                          | <b>(193,649)</b>               | <b>956</b>      | <b>(50,146)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                             |                                |                 |                 |
| Borrowings under credit agreement                                                        | 247,253                        | 163,500         | 79,000          |
| Repayments under credit agreement                                                        | (140,853)                      | (273,400)       | (58,050)        |
| Borrowings under term loan agreement                                                     |                                |                 | 24,500          |
| Repayments under term loan agreement                                                     | (780)                          | (780)           | (130)           |
| Payments of cash dividends                                                               | (63,436)                       | (52,332)        | (46,834)        |
| Payments of loan origination costs                                                       | (175)                          |                 |                 |
| Net proceeds from issuance of common stock                                               | 91,986                         | 108,205         |                 |
| <b>Net cash flow provided by (used in) financing activities</b>                          | <b>133,995</b>                 | <b>(54,807)</b> | <b>(1,514)</b>  |
| <b>Net increase in cash and cash equivalents</b>                                         | <b>1,576</b>                   | <b>3,072</b>    | <b>872</b>      |
| <b>Cash and cash equivalents at beginning of year</b>                                    | <b>6,122</b>                   | <b>3,050</b>    | <b>2,178</b>    |
| <b>Cash and cash equivalents at end of year</b>                                          | <b>\$ 7,698</b>                | <b>\$ 6,122</b> | <b>\$ 3,050</b> |

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## Supplemental disclosures of cash flow information

|                        |    |       |    |       |    |       |
|------------------------|----|-------|----|-------|----|-------|
| Interest paid          | \$ | 5,523 | \$ | 4,863 | \$ | 5,046 |
| Income taxes paid, net |    | 267   |    | 365   |    | 467   |

The accompanying notes are an integral part of these consolidated financial statements.

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**GETTY REALTY CORP. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation:** The consolidated financial statements include the accounts of Getty Realty Corp. and its wholly-owned subsidiaries. We are a real estate investment trust ( REIT ) specializing in the ownership and leasing of retail motor fuel and convenience store properties and petroleum distribution terminals. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ( GAAP ). We manage and evaluate our operations as a single segment. All significant intercompany accounts and transactions have been eliminated.

**Use of Estimates, Judgments and Assumptions:** The financial statements have been prepared in conformity with GAAP, which requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. While all available information has been considered, actual results could differ from those estimates, judgments and assumptions. Estimates, judgments and assumptions underlying the accompanying consolidated financial statements include, but are not limited to, accounts receivable, deferred rent receivable, net investment in direct financing leases, , environmental remediation costs, real estate, depreciation and amortization, impairment of long-lived assets, litigation, accrued liabilities, income taxes and the allocation of the purchase price of properties acquired to the assets acquired and liabilities assumed.

**Fair Value Hierarchy:** The preparation of financial statements in accordance with GAAP requires management to make estimates of fair value that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and revenues and expenses during the period reported using a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The levels of the fair value hierarchy are as follows: Level 1-inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date; Level 2-inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and Level 3-inputs that are unobservable.

**Discontinued Operations:** The operating results and gains from certain dispositions of real estate sold in 2011, 2010 and 2009 are reclassified as discontinued operations. The operating results of such properties for the years ended December 31, 2010 and 2009 have also been reclassified to discontinued operations to conform to the 2011 presentation. Discontinued operations for the years ended December 31, 2011, 2010 and 2009 are primarily comprised of gains or losses from property dispositions. The revenue from rental properties and expenses related to these properties are insignificant for each of the three years ended December 31, 2011, 2010 and 2009.

**Real Estate:** Real estate assets are stated at cost less accumulated depreciation and amortization. Upon acquisition of real estate and leasehold interests, we estimate the fair value of acquired tangible assets (consisting of land, buildings and improvements) as if vacant and identified intangible assets and liabilities (consisting of leasehold interests, above-market and below-market leases, in-place leases and tenant relationships) and assumed debt. Based on these estimates, we allocate the purchase price to the applicable assets and liabilities. When real estate assets are sold or retired, the cost and related accumulated depreciation and amortization is eliminated from the respective accounts and any gain or loss is credited or charged to income. Expenditures for maintenance and repairs are charged to income when incurred. When accounting for business combinations, the allocation of value to assets acquired and liabilities assumed for above-market and below-market leases, leasehold interests as lessee and capital lease obligations are non-cash transactions which do not appear on the face of the consolidated statements of cash flows. (See note 11 for additional information regarding property acquisitions.)

**Depreciation and Amortization:** Depreciation of real estate is computed on the straight-line method based upon the estimated useful lives of the assets, which generally range from 16 to 25 years for buildings and improvements, or the term of the lease if shorter. Asset retirement costs are depreciated over the remaining useful lives of underground storage tanks ( USTs or UST ) or 10 years for asset retirement costs related to environmental remediation obligations, which costs are attributable to the group of assets identified at a property. Leasehold interests, in-place leases and tenant relationships are amortized over the remaining term of the underlying lease.

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**Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of:** Assets are written down to fair value (determined on a nonrecurring basis using a discounted cash flow method and significant unobservable inputs) when events and circumstances indicate that the assets might be impaired and the projected undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. We review and adjust as necessary our depreciation estimates and method when long-lived assets are tested for recoverability. Assets held for disposal are written down to fair value.

**Cash and Cash Equivalents:** We consider highly liquid investments purchased with an original maturity of 3 (three) months or less to be cash equivalents.

**Deferred Rent Receivable and Revenue Recognition:** We earn rental income under operating and direct financing leases with tenants. Minimum lease payments from operating leases are recognized on a straight-line basis over the term of the leases. The cumulative difference between lease revenue recognized under this method and the contractual lease payment terms is recorded as deferred rent receivable on the consolidated balance sheet. We provide reserves for a portion of the recorded deferred rent receivable if circumstances indicate that a property may be disposed of before the end of the current lease term or if it is not reasonable to assume that the tenant will make all of its contractual lease payments when due during the current term of the lease. The straight-line method requires that rental income related to those properties for which a reserve was provided is effectively recognized in subsequent periods when payment is due under the contractual payment terms. Lease termination fees are recognized as rental income when earned upon the termination of a tenant's lease and relinquishment of space in which we have no further obligation to the tenant. The present value of the difference between the fair market rent and the contractual rent for above-market and below-market leases at the time properties are acquired is amortized into revenue from rental properties over the remaining lives of the in-place leases.

**Direct Financing Leases:** Income under direct financing leases is included in revenues from rental properties and is recognized over the lease terms using the effective interest rate method which produces a constant periodic rate of return on the net investments in the leased properties. Net investment in direct financing leases represents the investments in leased assets accounted for as direct financing leases. The investments in direct financing leases are increased for interest income earned and amortized over the life of the leases and reduced by the receipt of lease payments.

**Environmental Remediation Costs:** The estimated future costs for known environmental remediation requirements are accrued when it is probable that a liability has been incurred, including legal obligations associated with the retirement of tangible long-lived assets if the asset retirement obligation results from the normal operation of those assets and a reasonable estimate of fair value can be made. The environmental remediation liability is estimated based on the level and impact of contamination at each property. The accrued liability is the aggregate of the best estimate of the fair value of cost for each component of the liability. The accrued liability is net of recoveries of environmental costs from state UST remediation funds, with respect to both past and future environmental spending based on estimated recovery rates developed from prior experience with the funds. Net environmental liabilities are currently measured based on their expected future cash flows which have been adjusted for inflation and discounted to present value. We accrue for environmental liabilities that we believe are allocable to other potentially responsible parties if it becomes probable that the other parties will not pay their environmental obligations.

**Litigation:** Legal fees related to litigation are expensed as legal services are performed. We provide for litigation reserves, including certain litigation related to environmental matters, when it is probable that a liability has been incurred and a reasonable estimate of the liability can be made. If the estimate of the liability can only be identified as a range, and no amount within the range is a better estimate than any other amount, the minimum of the range is accrued for the liability. We accrue our share of environmental liabilities based on our assumptions of the ultimate allocation method and share that will be used when determining our share of responsibility.

**Income Taxes:** We and our subsidiaries file a consolidated federal income tax return. Effective January 1, 2001, we elected to qualify, and believe we are operating so as to qualify, as a REIT for federal income tax purposes. Accordingly, we generally will not be subject to federal income tax, provided that distributions to our shareholders equal at least the amount of our taxable income as defined under the Internal Revenue Code. We accrue for uncertain tax matters when appropriate. The accrual for uncertain tax positions is adjusted as circumstances change and as the uncertainties become more clearly defined, such as when audits are settled or exposures expire. Although tax returns for the years 2008, 2009 and 2010, and tax returns which will be filed for the year ended 2011 remain open to examination by federal and state tax jurisdictions under the respective statute of limitations, we have not currently identified any uncertain tax positions related to those years and, accordingly, have not accrued for uncertain tax positions as of December 31, 2011 or 2010.

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**Interest Expense and Interest Rate Swap Agreement:** In April 2006 we entered into an interest rate swap agreement with JPMorgan Chase Bank, N.A. as the counterparty, designated and qualifying as a cash flow hedge, to reduce our variable interest rate risk by effectively fixing a portion of the interest rate for existing debt and anticipated refinancing transactions. We have not entered into financial instruments for trading or speculative purposes. The fair value of the derivative reflected on the consolidated balance sheet as of December 31, 2010 was reclassified as a component of interest expense through June 30, 2011 when the interest rate swap agreement matured. The fair value of the interest rate swap obligation was based upon the estimated amounts we would receive or pay to terminate the contract and was determined using an interest rate market pricing model. Changes in the fair value of the agreement were included in the consolidated statements of comprehensive income and would have been recorded in the consolidated statements of operations if the agreement was not an effective cash flow hedge for accounting purposes.

**Earnings per Common Share:** Basic earnings per common share gives effect, utilizing the two-class method, to the potential dilution from the issuance of common shares in settlement of restricted stock units ( RSUs or RSU ) which provide for non-forfeitable dividend equivalents equal to the dividends declared per common share. Basic earnings per common share is computed by dividing net earnings less dividend equivalents attributable to RSUs by the weighted-average number of common shares outstanding during the year. Diluted earnings per common share, also gives effect to the potential dilution from the exercise of stock options utilizing the treasury stock method.

| (in thousands):                                                                                                       | Year ended December 31, |           |           |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------|-----------|-----------|
|                                                                                                                       | 2011                    | 2010      | 2009      |
| Earnings from continuing operations                                                                                   | \$ 11,610               | \$ 49,971 | \$ 41,439 |
| Less dividend equivalents attributable to restricted stock units outstanding                                          | (249)                   | (228)     | (162)     |
| Earnings from continuing operations attributable to common shareholders used for basic earnings per share calculation | 11,361                  | 49,743    | 41,277    |
| Discontinued operations                                                                                               | 846                     | 1,729     | 5,610     |
| Net earnings attributable to common shareholders used for basic earnings per share calculation                        | \$ 12,207               | \$ 51,472 | \$ 46,887 |
| Weighted-average number of common shares outstanding:                                                                 |                         |           |           |
| Basic                                                                                                                 | 33,171                  | 27,950    | 24,766    |
| Stock options                                                                                                         | 1                       | 3         | 1         |
| Diluted                                                                                                               | 33,172                  | 27,953    | 24,767    |
| Restricted stock units outstanding at the end of the period                                                           | 171                     | 123       | 86        |

**Stock-Based Compensation:** Compensation cost for our stock-based compensation plans using the fair value method was \$643,000, \$480,000, and \$390,000 for the years ended December 31, 2011, 2010, and 2009, respectively, and is included in general and administrative expense. The impact of the accounting for stock-based compensation is, and is expected to be, immaterial to our financial position and results of operations.

**Reclassifications:** Certain amounts related to 2010 and 2009 have been reclassified to conform to the 2011 presentation.

**2. LEASES**

We lease or sublet our properties primarily to distributors and retailers engaged in the sale of gasoline and other motor fuel products, convenience store products and automotive repair services who are responsible for the operations conducted at these properties and for the payment of taxes, maintenance, repair, insurance and other operating expenses related to these properties. In those instances where we determine that the best use for a property is no longer as a retail motor fuel outlet, we will seek an alternative tenant or buyer for the property. We lease or sublease approximately 20 of our properties for uses such as fast food restaurants, automobile sales and other retail purposes. Our 1,149 properties are located in 21 states across the United States with concentrations in the Northeast and Mid-Atlantic regions.

As of December 31, 2011, Getty Petroleum Marketing Inc. ( Marketing ) was in possession of 797 properties comprising a unitary premises pursuant to a master lease (the Master Lease ). Following a pattern of late and nonpayment of rent, on November 28, 2011 we sent Marketing a notice terminating the Master Lease on its terms effective December 12, 2011. On December 5, 2011, Marketing filed for protection under

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Chapter 11 of the Federal Bankruptcy Code. On March 7, 2012 we entered into a Stipulation with Marketing and the Official Committee of Unsecured Creditors in the Bankruptcy proceedings (the "Creditors Committee") seeking an order from the U.S. Bankruptcy Court and as a result, we expect we will retake possession of our properties commencing in the second quarter of 2012. For the year ended December 31, 2011, we provided bad debt reserves included in general and administrative expenses of \$9,121,000, of which \$8,802,000 is related to uncollected pre-petition rent and real estate taxes due from Marketing as of December 31, 2011. (See note 12 for additional information regarding the portion of our historical financial results that are attributable to Marketing. See note 3 for additional information regarding Marketing and the Master Lease.)

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We estimate that Marketing made annual real estate tax payments to us and directly to municipalities for properties leased under the Master Lease aggregating approximately \$13,000,000. As a result of Marketing's bankruptcy filing, beginning in the first quarter of 2012, we began paying past due real estate taxes for 2011 and 2012, which taxes Marketing historically paid directly. Real estate taxes that we pay (or accrued as of December 31, 2011) and are due from Marketing are included revenues from rental properties and in rental property expense. Revenues from rental properties and rental property expense included \$4,126,000 for the year ended December 31, 2011, \$575,000 for the year ended December 31, 2010, and \$773,000 for the year ended December 31, 2009 for real estate taxes paid (or accrued) by us which were due from Marketing. Marketing also makes additional direct payments for other operating expenses related to these properties, including environmental remediation costs other than those liabilities that were retained by us. Costs paid directly by Marketing under the terms of the Master Lease are not reflected in revenues from rental properties or rental property expense in our consolidated financial statements. We expect to continue to incur costs associated with the bankruptcy proceedings with Marketing and subsequent to Marketing's bankruptcy filing, we anticipate paying directly other property operating expenses historically paid by Marketing under the terms of the Master Lease.

Revenues from rental properties included in continuing operations for the years ended December 31, 2011, 2010, and 2009 were \$110,218,000, \$88,059,000, and \$84,043,000, respectively, of which \$63,581,000, \$60,210,000, and \$60,040,000, respectively, were contractually due or received from Marketing under the Master Lease and \$45,542,000, \$26,444,000, and \$22,074,000, respectively, were contractually due or received from other tenants. Revenues from rental properties and rental property expenses included \$7,324,000 for the year ended December 31, 2011, \$1,849,000 for the year ended December 31, 2010, and \$2,236,000 for the year ended December 31, 2009 for real estate taxes paid by us which were reimbursable by tenants (which includes amounts related to the Master Lease discussed in the preceding paragraph). In accordance with GAAP, we recognize rental revenue in amounts which vary from the amount of rent contractually due or received during the periods presented. As a result, revenues from rental properties include non-cash adjustments recorded for deferred rental revenue due to the recognition of rental income on a straight-line (or average) basis over the current lease term, net amortization of above-market and below-market leases and recognition of rental income recorded under direct financing leases using the effective interest method which produces a constant periodic rate of return on the net investments in the leased properties (the Revenue Recognition Adjustments). Revenue Recognition Adjustments included in continuing operations increased rental revenue by \$1,095,000 for the year ended December 31, 2011, \$1,405,000 for the year ended December 31, 2010 and \$2,025,000 for the year ended December 31, 2009. (See footnote 3 for additional information related to Marketing and the Master Lease.)

We provide reserves for a portion of the recorded deferred rent receivable if circumstances indicate that a property may be disposed of before the end of the current lease term or if it is not reasonable to assume that a tenant will make all of its contractual lease payments during the current lease term. Our assessments and assumptions regarding the recoverability of the deferred rent receivable is reviewed on an ongoing basis and such assessments and assumptions are subject to change. As of December 31, 2011, the gross deferred rent receivable attributable to the Master Lease of \$25,630,000 was fully reserved. As of December 31, 2010, the net carrying value of the deferred rent receivable attributable to the Master Lease was \$21,221,000, which was comprised of a gross deferred rent receivable of \$29,391,000, partially offset by a valuation reserve of \$8,170,000. (See notes 3 and 4 for additional information related to Marketing and the Master Lease.)

The components of the \$92,632,000 net investment in direct financing leases as of December 31, 2011, are minimum lease payments receivable of \$214,701,000 plus unguaranteed estimated residual value of \$11,991,000 less unearned income of \$134,060,000.

Future contractual minimum annual rentals receivable from our tenants other than Marketing, which have terms in excess of one year as of December 31, 2011, are as follows (in thousands)(See footnote 3 for additional information related to the Marketing and the Master Lease.):

| YEAR ENDING  |                  | DIRECT<br>FINANCING<br>LEASES |           |
|--------------|------------------|-------------------------------|-----------|
| DECEMBER 31, | OPERATING LEASES |                               | TOTAL(a)  |
| 2012         | \$ 34,450        | \$ 10,833                     | \$ 45,283 |
| 2013         | 33,293           | 11,035                        | 44,328    |
| 2014         | 32,390           | 11,286                        | 43,676    |
| 2015         | 31,463           | 11,462                        | 42,925    |
| 2016         | 31,436           | 11,339                        | 42,775    |
| Thereafter   | 240,301          | 158,064                       | 398,365   |

(a) Includes \$31,346,000 of future minimum annual rentals receivable under subleases.



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Excluded from the table above are future contractual minimum rentals receivable due from Marketing for which we do not expect to collect as follows: 2012 \$59,145,000, 2013 \$58,970,000, 2014 \$59,593,000, and 2015 \$56,042,000.

Rent expense, substantially all of which consists of minimum rentals on non-cancelable operating leases, amounted to \$8,009,000, \$7,007,000, and \$7,323,000 for the years ended December 31, 2011, 2010, and 2009, respectively, and is included in rental property expenses using the straight-line method. Rent received under subleases for the years ended December 31, 2011, 2010, and 2009 was \$13,325,000, \$11,868,000, and \$12,760,000, respectively.

We have obligations to lessors under non-cancelable operating leases which have terms (excluding renewal term options) in excess of one year, principally for gasoline stations and convenience stores. The leased properties have a remaining lease term averaging over 11 years, including renewal options. Future minimum annual rentals payable under such leases, excluding renewal options, are as follows: 2012 \$8,140,000, 2013 \$6,710,000, 2014 \$5,548,000, 2015 \$4,301,000, 2016 \$3,125,000, and \$6,572,000 thereafter.

### **3. COMMITMENTS AND CONTINGENCIES**

#### *CREDIT RISK*

In order to minimize our exposure to credit risk associated with financial instruments, we place our temporary cash investments, if any, with high credit quality institutions. Temporary cash investments, if any, are currently held in an overnight bank time deposit with JPMorgan Chase Bank, N.A.

#### *MARKETING AND THE MASTER LEASE*

As of December 31, 2011, 797, or 69% of our 1,149 properties were subject to the Master Lease. A substantial portion of our total revenues (55% for the year ended December 31, 2011), are derived from properties subject to the Master Lease. (See note 2 for additional information.) Substantially all of our tenants' financial results depend on sale of refined petroleum products and rental income from their subtenants. Our tenants' subtenants either operate their gas stations, convenience stores, automotive repair services or other businesses at our properties or are petroleum distributors who operate our properties directly or sublet our properties to the operators. (See note 12 for additional information regarding the historical portion of our financial results that are attributable to the Master Lease.)

Marketing was formed to facilitate the spin-off of our petroleum marketing business to our shareholders which was completed in 1997. Marketing was acquired by a U.S. subsidiary of OAO LUKoil ( Lukoil ), one of the largest integrated Russian oil companies, in December 2000. In connection with Lukoil's acquisition of Marketing, we renegotiated our long-term unitary triple-net lease with Marketing. On February 28, 2011, Lukoil, transferred its ownership interest in Marketing to Cambridge Petroleum Holding Inc. ( Cambridge ). From August through December 2011, Marketing did not pay monthly fixed rent to us on the first of the month, as required by the terms of the Master Lease. Following each such nonpayment event, we delivered a default notice to Marketing, and, for the months of August and September 2011, Marketing cured its default by payment of the outstanding monthly fixed rent installment with applicable interest.

In August 2011, Marketing delivered a notice to us stating its intent to offset rent due under the Master Lease based upon allegations of nonperformance by us of certain environmental remediation obligations allegedly required to be performed by us pursuant to the terms of the Master Lease. We considered Marketing's notice to be without merit and filed a lawsuit in New York State Supreme Court to stop Marketing from offsetting rent. At about the same time, we also issued a separate notice of default against Marketing for various violations of the Master Lease, including nonpayment of certain real estate taxes attributable to properties subject to the Master Lease.

In October 2011, the New York State Supreme Court ordered Marketing to pay \$4,003,000 of October 2011 fixed rent to us and the balance (\$888,000) into escrow, pending resolution of Marketing's claims. Marketing complied with this court order and made the required payments. In November 2011, Marketing again withheld rent on the purported basis of its offset notice, and in mid-November 2011 the New York State Supreme Court again ordered Marketing to pay the majority of November 2011 rent to us and the balance into escrow. On appeal by Marketing, the New York State Appellate Division stayed the lower court order, but ordered Marketing to pay the entire amount of fixed rent for November 2011 (\$4,901,000) into escrow by November 28, 2011. Marketing

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failed to comply with the terms of the Appellate Division order and pay the amount of November 2011 fixed rent into escrow on November 28, 2011. Consequently, we issued a notice to Marketing terminating the Master Lease which, pursuant to the terms of the Master Lease and such notice, terminated the Master Lease as of December 12, 2011. On December 5, 2011, Marketing filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court, Southern District of New York (the "Bankruptcy Court").

Based on information available to us as of the date of this Annual Report on Form 10-K, we estimate Marketing's accrued obligations to us as of the date Marketing made its bankruptcy filing to be approximately \$8,802,000. This aggregate amount consists primarily of unpaid fixed rent, real estate taxes (including real estate taxes that we began paying in the first quarter of 2012, which taxes Marketing historically paid directly) and to a lesser extent other property-related expenses which are Marketing's responsibility pursuant to the Master Lease. These unpaid obligations are considered "pre-petition claims" and subject to discharge by Marketing in its bankruptcy proceedings. We do not expect to collect on any of these pre-petition claims and we have fully reserved the amount due from Marketing for such claims.

Shortly after filing for bankruptcy, Marketing filed an adversary complaint in the Bankruptcy Court against us, pursuant to which it sought to withhold post-petition rent on the basis of its continued assertion that we failed to perform certain environmental remediation obligations. On January 10, 2012, the Bankruptcy Court rejected Marketing's offset claims and ordered Marketing to comply with all of its post-petition obligations under the Master Lease, including payment of fixed rent and real estate taxes (the "Order"). Under the Order, the Bankruptcy Court set a payment schedule wherein all post-petition amounts due to us, including rent for December 2011 and January 2012, would be paid by February 5, 2012. These post-petition amounts due to us, as landlord, under the Order are considered administrative claims which have priority over other creditors' claims.

Following the issuance of the Order, Marketing disclosed its financial condition to us and to other constituents in the bankruptcy proceedings, which showed Marketing's debilitated financial condition. It became evident that Marketing did not and would not have the funds available from operations and would not otherwise obtain financing needed to meet all of its post-petition financial obligations under the Order. In the first quarter of 2012, we began paying for the real estate taxes due on the properties subject to the Master Lease, and billing Marketing thereof. We expect that in the near term we will also be required to pay or accrue for, maintenance, repair, insurance, environmental and other operating expenses relating to the properties subject to the Master Lease.

As a result of payments Marketing has made under the Order, as of March 8, 2012, we have received a total of \$10,848,000 in post-petition payments from Marketing. However, Marketing has failed to fully comply with the Order as it has not paid the full amount of rent, real estate taxes and other obligations due to us under the Master Lease for the post-petition periods.

Of the post-petition payments received to date, \$5,743,000 has been applied to outstanding receivables accrued for income recognized in the post-petition period through December 31, 2011. Accordingly, only \$5,105,000 of such payments received to date are available to be applied to Marketing's contractual rent and real estate tax obligations to us of approximately \$17,700,000 attributable to the first quarter of 2012. As is the case with respect to the approximately \$8,802,000 of pre-petition claims, we do not expect to collect substantially all of the \$12,595,000 unpaid amounts attributable to the first quarter of 2012 from Marketing. We anticipate that we will provide bad debt reserves for all outstanding receivables due from Marketing for the first quarter of 2012 and thereafter unless payment is made, which we deem doubtful.

On March 7, 2012, we entered into a stipulation with Marketing and the Official Committee of Unsecured Creditors in the Bankruptcy proceedings (the "Creditors Committee"), which is subject to the approval of the Bankruptcy Court (the "Stipulation"). Our decision to enter into the Stipulation was based on our belief that doing so avoided possible costly litigation, improved our ability to capture cash flow relating to the properties subject to the Master Lease, minimized disruption to the operations of our properties that could occur from cessation of gas sales by the operators thereof, and permitted us to take greater control of the process for orderly recapture and re-letting or other re-disposition of our properties. The Stipulation has been filed with the Bankruptcy Court with notice that a hearing will be held on April 2, 2012 to consider its approval by the Bankruptcy Court. No assurances can be given that the Stipulation will be approved by the Bankruptcy Court.

Pursuant to the terms of the Stipulation:

Through March 8, 2012, Marketing has paid \$10,848,000 of approximately \$19,000,000 of post-petition fixed rent due through March 2012; payment of \$1,000,000 is due on or before April 1, 2012 plus any excess cash as of March 30, 2012. All unpaid amounts due from Marketing under the Master Lease for periods after filing of the bankruptcy become due and payable on April 30, 2012.



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At any time before rejection of the Master Lease, we may take back individual or groups of properties subject to the Master Lease for the purpose of re-leasing, selling, licensing or otherwise disposing of them, on a free and clear basis, and in such case the rent under the Master Lease will be reduced based on an agreed-upon formula determined by the proceeds attributable to the relevant disposition(s).

The deadline for Marketing to assume or reject the Master Lease is April 30, 2012.

Upon rejection of the Master Lease, we will take possession of all properties subject to the Master Lease free and clear of all rights of Marketing, and free and clear of all tenancies and occupancies of subtenants (subject to whatever rights they may have, if any, under applicable law).

We will be entitled to at least an administrative claim for all fixed rent and other obligations to be performed by Marketing due under the Master Lease from December 5, 2011 until Marketing vacates the unitary Master Lease premises. For the period from December 5, 2011 (the date of the bankruptcy filing) through April 30, 2012, we have agreed to cap our aggregate priority administrative claims to the amount of \$10,500,000, together with interest from May 1, 2012 until paid at the rate provided in the Master Lease (plus any transfer taxes paid by us).

If Marketing does not vacate the unitary Master Lease premises by April 30, 2012, we may have additional administrative claims for holdover occupancy by Marketing.

Based on a cash flow forecast prepared by Marketing and reviewed by the financial advisors to the Creditors Committee we do not anticipate we will receive amounts materially in excess of the \$1,000,000 scheduled for payment on or before April 1, 2012.

In connection with the bankruptcy proceedings, on December 29, 2011, Marketing filed a lawsuit against Lukoil Americas Corporation and its wholly-owned subsidiary Lukoil North America LLC (collectively, "Lukoil Americas") alleging, among other claims, that Lukoil fraudulently transferred substantially all of Marketing's assets with value and positive cash flow from Marketing to Lukoil Americas (the "Lukoil Complaint"). This lawsuit may be pursued by an independent trustee for the benefit of the bankruptcy estate and its creditors even if Marketing is in liquidation. It is possible that the bankruptcy estate may be successful in its claims against Lukoil Americas and therefore it is possible that we may ultimately recover a portion of our post-petition administrative claims, which have priority over other creditors' claims, and it is also possible that we may recover a portion of our pre-petition claims against Marketing. The actual amount of any such claims that may be recovered by us is uncertain and we can provide no assurance that we will collect any such amounts.

Our financial results are materially dependent on rental revenues derived from the 797 properties subject to the Master Lease. Marketing does not operate these properties itself, but instead subleases these properties to subtenants to whom Marketing sells gasoline, and such subtenants operate their gas stations, convenience stores, automotive repair services or other businesses at our properties.

As a result of the developments described above, we concluded that it is probable that we will not receive from Marketing the entire amount of the contractual lease payments owed to us under the Master Lease. Accordingly, during the quarter ended December 31, 2011, we recorded a non-cash allowance for deferred rental revenue of \$8,715,000 (in addition to the \$11,043,000 allowance recorded during the quarter ended September 30, 2011) fully reserving for the deferred rent receivable relating to the Master Lease. This non-cash allowance reduced our net earnings for the three and twelve months ended December 31, 2011, but did not impact our cash flow from operating activities.

Under the Master Lease, Marketing is directly responsible to pay for all environmental liabilities discovered during the term of the lease and for certain environmental liabilities even after the termination of the Master Lease, including: (i) remediation of environmental contamination it causes and compliance with various environmental laws and regulations as the operator of our properties, and (ii) known and unknown environmental liabilities allocated to Marketing under the terms of the lease and various other agreements with us relating to Marketing's business and the properties it leases from us (collectively the "Marketing Environmental Liabilities"). In connection with our repositioning of the properties subject to the Master Lease, we anticipate that, as between us and any new tenant or transferee of a property or group of properties, we will in almost all cases retain environmental liabilities that exist with respect to that property or group of properties prior to the date of re-letting or sale, to the extent there is no third party responsible therefor.



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Since we no longer believe that Marketing will be able to meet its environmental remediation obligations and its obligations to remove underground storage tanks at the end of their useful life or earlier if circumstances warrant, we have accrued \$47,874,000 as the aggregate Marketing Environmental Liabilities. In conjunction with recording the Marketing Environmental Liabilities, we increased the carrying value for each of the related properties by the amount of the related estimated environmental obligation and simultaneously recorded impairment charges aggregating \$17,017,000 where the increased carrying value of the property exceeded its estimated fair value. The increases in carrying values of the properties will be depreciated over (i) the estimated remaining life of the underground storage tank if the increase in carrying value related to obligations to remove underground storage tanks, (ii) a ten year period if the increase in carrying value related to environmental remediation obligations or (iii) such shorter period if circumstances warrant, such as the remaining lease term for properties we lease from others.

In the fourth quarter of 2011, we accrued approximately \$484,000 million in settlement of costs incurred by the current property owner in connection with removal of USTs and soil remediation at a property that was leased to and operated by Marketing. We believed that Marketing was responsible for such costs under the terms of the Master Lease and on that basis we tendered the matter to Marketing for defense and indemnification. Marketing denied its liability for such claims and its responsibility to defend and indemnify us. We were sued by the current property owner and filed third-party claims against Marketing for indemnification. The property owner's claim for reimbursement of costs incurred and our claim for indemnification from Marketing were tried in court. The trial court issued its decision in August 2009 under which the Company and Marketing were held jointly and severally responsible to the current property owner for the costs incurred by the owner to remove USTs and remediate contamination at the site, but, as between the Company and Marketing, Marketing was held accountable for such costs under the indemnification provisions of the Master Lease. Marketing appealed this decision. In the first quarter of 2012, in view of Marketing's bankruptcy and considering that the Company and Marketing shared joint and several responsibility for the liability at issue, we reached a settlement with the current property owner for approximately the amount of the current owner's claim less the portion thereof which was paid by Marketing as a condition to not otherwise post a bond that would have been required as a condition to taking the appeal.

The actual amount of the Marketing Environmental Liabilities may be significantly higher and we can provide no assurance as to the accuracy of our estimates. We do not maintain pollution legal liability insurance to protect it from potential future claims related to known and unknown environmental liabilities.

Since the Master Lease was structured as a triple-net lease, Marketing (as the lessee) has the responsibility for the maintenance, repair, real estate taxes, insurance and general upkeep of these properties ( Property Expenditures ) during the term of the Master Lease. Marketing has failed to meet many of its obligations to undertake the Property Expenditures related to our properties. In addition to having to incur the costs of the Property Expenditures, Marketing did not pay any additional Property Expenditures for the period after termination of the Master Lease. Also, in the course of repositioning the properties, we expect to incur significant costs over a period of years for required renovations, replacement of underground storage tanks and related equipment or environmental remediation, zoning and permitting ( Capital Improvements ). We expect to continue to incur costs associated with both the bankruptcy proceedings with Marketing and we anticipate incurring significant Property Expenditures and Capital Improvement costs. It is also possible that our estimates for environmental remediation and tank removal expenses relating to these properties will be higher than the Marketing Environmental Liabilities we have accrued and that issues involved in re-letting or repositioning these properties may require significant management attention that would otherwise be devoted to other segments of our ongoing business. These and other actions are expected to significantly increase our overhead expenses for the foreseeable future. As of the date of this Annual Report on Form 10-K, we have not determined the total amounts of any such potential additional expenses. The incurrence of these expenses may materially negatively impact our cash flow and ability to pay dividends.

We believe the likely outcome of the repositioning process is to create multiple tenancies with respect to the portfolio that was leased to Marketing under the Master Lease. It is our long-term intention to enter into intermediate and long-term triple-net leases for groups of these properties with tenants who are actively engaged in the business of retail petroleum marketing. However, in the short-term it is possible that we might reposition groups of properties by: (a) entering into temporary short-term arrangements with the existing occupants of the properties or operators of groups of properties, allowing them to continue to use and occupy the properties premises as long as they continue to pay us appropriate compensation and abide by other appropriate covenants, (b) entering into fuel supply agreements with third party fuel suppliers, (c) entering into long-term leases with distributors engaged in the sale of gasoline and other motor products, (d) disposing of some properties by sale or (e) continuing an existing sub-lease on a direct basis between such former Marketing subtenant and us, whether on substantially the same terms that had previously been in place between such subtenant and Marketing or on modified terms. We intend to remove and reposition our properties from the Master Lease as promptly as practicable.

Following completion of the repositioning process, we expect the revenue realized from the properties that were subject to the Master Lease to be less than the contractual rent received under the Master Lease. In addition, we expect to incur Property Expenditures and Capital Expenditures during and after the repositioning process.



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We are continuing our efforts to sell approximately 160 properties that have previously had their underground storage tanks removed and nine petroleum distribution terminals although alternatively we may seek to re-let some of these properties and terminals. While we have dedicated considerable effort designed to increase sales and leasing activity, we cannot predict the timing or the terms of any such dispositions.

Our estimates, judgments, assumptions and beliefs regarding Marketing and the Master Lease affect the amounts reported in our financial statements are subject to change. Actual results could differ from these estimates, judgments and assumptions and such differences could be material. If the Marketing Environmental Liabilities are greater than our accruals; if we incur significant Property Expenditures, Capital Improvement costs, and operating expenses relating to these properties; if the litigation and bankruptcy proceedings with Marketing and the repositioning of the properties subject to the Master Lease leads to a protracted and expensive process for taking control and or re-letting our properties; if re-letting these properties required significant management attention that would otherwise be devoted to our ongoing business; if Marketing asserts additional claims against us, seeks a deferral or reduction in the rental payments or other obligations owed to us or seeks to liquidate its business; if the Bankruptcy Court takes actions that are detrimental to our interests; if we are unable to re-let or sell a portion of the properties subject to the Master Lease upon terms that are favorable to us; or if we change our estimates, judgments, assumptions and beliefs related to the properties subject to the Master Lease; our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends and stock price may continue to be materially adversely affected or adversely affected to a greater extent than we have experienced. (See footnote 12 for additional information regarding the historical portion of our financial results that are attributable to Marketing.)

### **ASSET IMPAIRMENT**

We perform an impairment analysis of the carrying amount of our properties in accordance with GAAP when indicators of impairment exist. During the year ended December 31, 2011, we reduced the carrying amount to fair value, and recorded in continuing operations and in discontinued operations non-cash impairment charges aggregating \$20,226,000 (of which \$18,676,000 was attributable to certain properties leased to Marketing and \$1,550,000 was attributable to certain properties leased to other tenants) where the carrying amount of the property exceeded the estimated undiscounted cash flows expected to be received during the assumed holding period and the estimated net sales value expected to be received at disposition. The non-cash impairment charges related to the properties leased to Marketing were primarily attributable to significant increases in the carrying value for certain of the properties in conjunction with recording the Marketing Environmental Liabilities. In the fourth quarter of 2011, we accrued \$47,874,000 as the aggregate Marketing Environmental Liabilities since we could no longer assume that Marketing will be able to meet its environmental remediation obligations and its obligations to remove underground storage tanks at the end of their useful life. We increased the carrying value for each of the affected properties by the amount of the related estimated environmental obligation and simultaneously recorded impairment charges aggregating \$17,017,000 where the increased carrying value of the property exceeded its estimated fair value. The non-cash impairment charges recorded earlier in 2011 were attributable to reductions in real estate valuations and reductions in the assumed holding period used to test for impairment. The estimated fair value of real estate is based on the price that would be received to sell the property in an orderly transaction between market participants at the measurement date. The valuation techniques that we used included discounted cash flow analysis, an income capitalization approach on prevailing or earnings multiples applied to earnings from the property, analysis of recent comparable lease and sales transactions, actual leasing or sale negotiations and bona fide purchase offers received from third parties and/or consideration of the amount that currently would be required to replace the asset, as adjusted for obsolescence. In general, we consider multiple valuation techniques when measuring the fair value of a property, all of which are based on unobservable inputs and assumptions that are classified within Level 3 of the fair value hierarchy.

### **LEGAL PROCEEDINGS**

We are subject to various legal proceedings and claims which arise in the ordinary course of its business. As of December 31, 2011 and December 31, 2010, we had accrued \$4,242,000 and \$3,273,000, respectively, for certain of these matters which we believe were appropriate based on information then currently available. It is possible that our assumptions regarding the ultimate allocation method and share of responsibility that we used to allocate environmental liabilities may change, which may result in our providing an accrual, or adjustments to the amounts recorded, for environmental litigation accruals. Matters related to the our Newark, New Jersey Terminal site and Lower Passaic River and the MTBE multi-district litigation case, in particular, could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

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### *Matters related to our Newark, New Jersey Terminal and the Lower Passaic River*

In September 2003, we received a directive (the Directive) from the State of New Jersey Department of Environmental Protection (the NJDEP) notifying us that it is one of approximately 66 potentially responsible parties for natural resource damages resulting from discharges of hazardous substances into the Lower Passaic River. The Directive calls for an assessment of the natural resources that have been injured by the discharges into the Lower Passaic River and interim compensatory restoration for the injured natural resources. There has been no material activity with respect to the NJDEP Directive since early after its issuance. The responsibility for the alleged damages, the aggregate cost to remediate the Lower Passaic River, the amount of natural resource damages and the method of allocating such amounts among the potentially responsible parties have not been determined. Effective May 2007, the United States Environmental Protection Agency (EPA) entered into an Administrative Settlement Agreement and Order on Consent (AOC) with over 70 parties comprising a Cooperating Parties Group (CPG) (many of whom are also named in the Directive) who have collectively agreed to perform a Remedial Investigation and Feasibility Study (RI/FS) for the Lower Passaic River. We are a party to the AOC and are a member of the CPG. The RI/FS is intended to address the investigation and evaluation of alternative remedial actions with respect to alleged damages to the Lower Passaic River, and is scheduled to be completed in or about 2015. The RI/FS does not resolve liability issues for remedial work or restoration of, or compensation for, natural resource damages to the Lower Passaic River, which are not known at this time.

In a related action, in December 2005, the State of New Jersey through various state agencies brought suit against certain companies which the State alleges are responsible for various categories of past and future damages resulting from discharges of hazardous substances to the Passaic River. In February 2009, certain of these defendants filed third party complaints against approximately 300 additional parties, including us, seeking contribution for such parties' proportionate share of response costs, cleanup and other damages, based on their relative contribution to pollution of the Passaic River and adjacent bodies of water. We believe that ChevronTexaco is contractually obligated to indemnify us, pursuant to an indemnification agreement, for most if not all of the conditions at the property identified by the NJDEP and the EPA. Accordingly, our ultimate legal and financial liability, if any, cannot be estimated with any certainty at this time.

### *MTBE Litigation*

During 2011, we were defending against one remaining lawsuit of many brought by or on behalf of private and public water providers and governmental agencies. These cases alleged (and, as described below with respect to one remaining case, continue to allege) various theories of liability due to contamination of groundwater with methyl tertiary butyl ether (a fuel derived from methanol, commonly referred to as MTBE) as the basis for claims seeking compensatory and punitive damages, and name as defendant approximately 50 petroleum refiners, manufacturers, distributors and retailers of MTBE, or gasoline containing MTBE. During 2010, we agreed to, and subsequently paid, \$1,725,000 to settle two plaintiff classes covering 52 pending cases. Presently, we remain a defendant in one MTBE case involving multiple locations throughout the State of New Jersey brought by various governmental agencies of the State of New Jersey, including the NJDEP.

As of December 31, 2011 and December 31, 2010, we maintained a litigation reserve relating to the remaining MTBE case in an amount which we believe was appropriate based on information then currently available. However, we are unable to estimate with certainty our liability for the case involving the State of New Jersey as there remains uncertainty as to the accuracy of the allegations in this case as they relate to us, our defenses to the claims, our rights to indemnification, and the aggregate possible amount of damages for which we may be held liable.

## **DIVIDENDS**

To qualify for taxation as a REIT, we, among other requirements, must distribute annually to our stockholders at least 90% of our taxable income, including taxable income that is accrued by us without a corresponding receipt of cash. We cannot provide any assurance that our cash flows will permit us to continue paying cash dividends. The Internal Revenue Service has allowed the use of a procedure, as a result of which we could satisfy the REIT income distribution requirement by making a distribution on our common stock comprised of (i) shares of our common stock having a value of up to 90% of the total distribution and (ii) cash in the remaining amount of the total distribution, in lieu of paying the distribution entirely in cash. The procedure will only apply to distributions made after 2011 to the extent that we properly elect under applicable law to treat such distributions as made out of taxable income that arose in 2011. We cannot provide any assurance that we will be able to satisfy our REIT income distribution requirement with respect to taxable income arising in 2012 and thereafter by making distributions payable in whole or in part in shares of our common stock. Should the Internal Revenue Service successfully assert that our earnings and profits were greater than the amounts distributed, we may fail to qualify as a REIT; however, we may avoid losing its REIT status by paying a deficiency dividend to eliminate any remaining earnings and profits. We may have to issue a dividend payable in a combination of stock and cash, borrow money or sell assets to pay such a deficiency dividend.

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### **4. CREDIT AGREEMENT AND TERM LOAN AGREEMENT**

We are a party to a \$175,000,000 amended and restated senior unsecured revolving credit agreement entered into in March 2007 (the "Credit Agreement") with a group of commercial banks led by JPMorgan Chase Bank, N.A. (the "Bank Syndicate") which was scheduled to expire in March 2012. As of December 31, 2011, borrowings under the Credit Agreement were \$147,700,000, bearing interest at a rate of 1.25% per annum. The Credit Agreement permitted borrowings at an interest rate equal to the sum of a base rate plus a margin of 0.00% or 0.25% or a LIBOR rate plus a margin of 1.00%, 1.25% or 1.50%. The applicable margin was based on our leverage ratio at the end of the prior calendar quarter, as defined in the Credit Agreement.

Prior to the expiration of the Credit Agreement, on March 9, 2012, we entered into an agreement with the Bank Syndicate amending the interest rate and other significant terms of the Credit Agreement and extending the maturity date by one year to March 2013 (the "Amended Credit Agreement"). The Amended Credit Agreement provides for security in the form of, among other items, mortgage liens on several portfolios of our properties with an aggregate value of not less than \$220,000,000 based on a percentage of loan outstanding to property value. The Amended Credit Agreement allocates \$125,000,000 of the total Bank Syndicate commitment to a term loan and \$50,000,000 of the total Bank Syndicate commitment to a revolving facility. Under the terms of the Amended Credit Agreement, any proceeds from the issuance of debt will be used to pay down and permanently reduce the aggregate amount of Bank Syndicate commitments. Additionally, 50% of proceeds from any equity issuance by us will be used to pay down and permanently reduce the aggregate amount of Bank Syndicate commitments with the remaining proceeds used to pay down the revolving facility. Such repayments under the revolving facility can be redrawn assuming we meet the terms and conditions discussed below whereas amounts used to permanently reduce Bank Syndicate commitments cannot be redrawn. Under the Amended Credit Agreement, we are unable to access undrawn funds other than \$4,000,000 drawn for closing costs related to the Amended Credit Agreement until we meet certain criteria including achieving pro forma revenue targets, the resolution of material litigation with our tenants, and conditioned upon having no tenant upon whom our financial results are materially dependent subject to bankruptcy or any such similar proceedings. The Amended Credit Agreement does not provide for scheduled reductions in the principal balance prior to its maturity. The Amended Credit Agreement permits borrowings at an interest rate equal to the sum of a base rate plus a margin of 2.00% or a LIBOR rate plus a margin of 3.00%.

The annual commitment fee on the unused Amended Credit Agreement is 0.40%. The Amended Credit Agreement contains restrictive terms and conditions, including restricting our use of proceeds from the issuance of debt or equity or the sale of properties, weekly financial reporting, financial covenants such as those requiring us to maintain minimum cash balances, minimum liquidity, minimum EBITDA, coverage ratios and other covenants which may limit our ability to incur debt or pay dividends. The Amended Credit Agreement contains events of default, including default under the Amended Term Loan Agreement, change of control, failure to maintain REIT status or a material adverse effect on our business, assets, prospects or condition. Any event of default, if not cured or waived, would increase by 200 basis points (2.00%) the interest rate we pay under the Amended Credit Agreement and prohibit us from drawing funds against the Amended Credit Agreement and could result in the acceleration of our indebtedness under the Amended Credit Agreement and could also give rise to an event of default and consequent acceleration of our indebtedness under the Amended Term Loan Agreement described below. We may be required to enter into alternative loan agreements, sell assets, reduce or eliminate our dividend or issue additional equity at unfavorable terms if we do not have access to funds under our Amended Credit Agreement or as a result of acceleration of our indebtedness under the Amended Credit Agreement and Amended Term Loan Agreement.

We are a party to a \$25,000,000 three-year term loan agreement with TD Bank (the "Term Loan Agreement" or "Term Loan") which as of December 31, 2011 was scheduled to expire in September 2012. On March 9, 2012, we entered into an agreement with TD Bank amending significant terms of the Term Loan Agreement and extending the maturity date by approximately six months to March 2013 (the "Amended Term Loan Agreement"). As of December 31, 2011, borrowings under the Term Loan Agreement were \$22,810,000 bearing interest at a rate of 3.50% per annum. The Term Loan Agreement and the Amended Term Loan Agreement provide for annual reductions of \$780,000 in the principal balance with a balloon payment due at maturity. A balloon payment of \$21,900,000 is due in March 2013 pursuant to the Amended Term Loan Agreement. The Amended Term Loan Agreement bears interest at a rate equal to a 30 day LIBOR rate (subject to a floor of 0.40%) plus a margin of 3.10%. The Amended Term Loan Agreement contains restrictive terms and conditions including financial covenants such as those requiring us to maintain minimum cash balances, minimum liquidity, minimum EBITDA, coverage ratios and other covenants which may limit our ability to incur debt or pay dividends. The Amended Term Loan Agreement contains events of default, including default under the Amended Credit Agreement, change of control, failure to maintain REIT status or a material adverse effect on our business, assets, prospects or

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condition. Any event of default, if not cured or waived, would increase by 300 basis points (3.00%) the interest rate we pay under the Amended Term Loan Agreement and could result in the acceleration of our indebtedness under the Amended Term Loan Agreement and could also give rise to an event of default and could result in the acceleration of our indebtedness under our Amended Term Loan Agreement and Amended Credit Agreement. We may be required to enter into alternative loan agreements, sell assets, reduce or eliminate our dividend or issue additional equity at unfavorable terms if we do not have access to funds under our Amended Credit Agreement or as a result of acceleration of our indebtedness under the Amended Credit Agreement and Amended Term Loan Agreement.

The aggregate maturity of our outstanding debt as of December 31, 2011, as extended by the Amended Credit Agreement and the Amended Term Loan Agreement, is as follows: 2012 \$780,000, and 2013 \$169,730,000.

The fair value of the borrowings outstanding under the Credit Agreement was \$145,500,000 as of December 31, 2011. The fair value of the borrowings outstanding under the Term Loan Agreement was \$22,700,000 as of December 31, 2011. The fair value of the projected average borrowings outstanding under the Credit Agreement and the borrowings outstanding under the Term Loan Agreement were determined using a discounted cash flow technique that incorporates a market interest yield curve based on market data obtained from sources independent of us that are observable at commonly quoted intervals and are defined by GAAP as Level 2 inputs in the Fair Value Hierarchy with adjustments for duration, optionality, risk profile and projected average borrowings outstanding or borrowings outstanding, which are based on unobservable Level 3 inputs.

We cannot predict how the recent developments related to Marketing and the repositioning of the portfolio to generate cash flow from the properties subject to the Master Lease will affect our financial performance or impact our access to capital and liquidity. It is possible that our business operations or liquidity may be further adversely affected, potentially giving rise to an event of default under the Amended Credit Agreement and the Amended Term Loan Agreement. Any such event of default, if not waived, could result in an increase in the cost of our borrowings or the acceleration of our indebtedness under the Amended Credit Agreement and the Amended Term Loan Agreement. In order to continue to meet liquidity needs (including the repayment of the balance outstanding under the Amended Credit Agreement and the Amended Term Loan Agreement when due in March 2013), we must extend the maturity of or refinance the Amended Credit Agreement and the Amended Term Loan Agreement or obtain additional sources of financing. Additional sources of financing may be more expensive or contain more onerous terms than exist under our current Amended Credit Agreement and Amended Term Loan Agreement, or simply may not be available. We may be required to enter into alternative loan agreements, sell assets, reduce or eliminate our dividend or issue additional equity at unfavorable terms if we do not extend the term of the Amended Credit Agreement and the Amended Term Loan Agreement beyond March 2013. There can be no assurance that at or prior to expiration of the Amended Credit Agreement and the Amended Term Loan Agreement we will be able to further amend the Amended Credit Agreement and the Amended Term Loan Agreement or enter into new credit agreements on favorable terms, if at all. Management believes that subject to us maintaining compliance with the terms of the Amended Credit Agreement and the Amended Term Loan Agreement, our operating cash needs for the next twelve months can be met by cash flows from operations and available cash and cash equivalents. If we fail to comply with the terms of the Amended Credit Agreement and the Amended Term Loan Agreement, obtain additional sources of financing or refinance our existing debt, this could have a material adverse affect on our business, financial condition, results of operation, liquidity, ability to pay dividends or stock price.

## **5. INTEREST RATE SWAP AGREEMENT**

We were a party to a \$45,000,000 LIBOR based interest rate swap which expired on June 30, 2011 (the Swap Agreement). The Swap Agreement was intended to effectively fix, at 5.44%, a portion of the LIBOR component of the interest rate determined under our LIBOR based loan agreements. We entered into the Swap Agreement with JPMorgan Chase Bank, N.A., designated and qualifying as a cash flow hedge, to reduce our exposure to the variability in cash flows attributable to changes in the LIBOR rate. Our primary objective when undertaking the hedging transaction and derivative position was to reduce our variable interest rate risk by effectively fixing a portion of the interest rate for existing debt and anticipated refinancing transactions. We determined, as of the Swap Agreement's inception and throughout its term, that the derivative used in the hedging transaction was highly effective in offsetting changes in cash flows associated with the hedged item and that no gain or loss was required to be recognized in earnings representing the hedge's ineffectiveness. At December 31, 2010, our consolidated balance sheet included in accounts payable and accrued liabilities \$1,153,000 for the fair value of the Swap Agreement which expired on June 30, 2011. For the years ended December 31, 2011, 2010 and 2009, we have recorded, in accumulated other comprehensive gain in our consolidated balance sheets, a gain of \$1,153,000, \$1,840,000 and \$1,303,000, respectively, from the changes in the fair value of the Swap Agreement obligation related to the effective portion of the interest rate contract.

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The fair values of the Swap Agreement obligation were determined using (i) discounted cash flow analyses on the expected cash flows of the Swap Agreement, which were based on market data obtained from sources independent of us consisting of interest rates and yield curves that are observable at commonly quoted intervals and are defined by GAAP as Level 2 inputs in the Fair Value Hierarchy, and (ii) credit valuation adjustments, which were based on unobservable Level 3 inputs. We classified its valuations of the Swap Agreement entirely within Level 2 of the Fair Value Hierarchy since the credit valuation adjustments were not significant to the overall valuations of the Swap Agreement.

## **6. ENVIRONMENTAL OBLIGATIONS**

We are subject to numerous existing federal, state and local laws and regulations, including matters relating to the protection of the environment such as the remediation of known contamination and the retirement and decommissioning or removal of long-lived assets including buildings containing hazardous materials, USTs and other equipment. Environmental expenses are principally attributable to remediation costs which include installing, operating, maintaining and decommissioning remediation systems, monitoring contamination and governmental agency reporting incurred in connection with contaminated properties. We seek reimbursement from state UST remediation funds related to these environmental expenses where available. We do not maintain pollution legal liability insurance to protect from potential future claims related to known and unknown environmental liabilities.

We enter into leases and various other agreements which allocate responsibility for known and unknown environmental liabilities by establishing the percentage and method of allocating responsibility between the parties. In accordance with the leases with certain tenants, we have agreed to bring the leased properties with known environmental contamination to within applicable standards, and to either regulatory or contractual closure ( Closure ). Generally, upon achieving Closure at each individual property, our environmental liability under the lease for that property will be satisfied and future remediation obligations will be the responsibility of our tenant.

Our tenants are directly responsible to pay for (i) remediation of environmental contamination they cause and compliance with various environmental laws and regulations as the operators of our properties, and (ii) environmental liabilities allocated to them under the terms of our leases and various other agreements. Generally the liability for the retirement and decommissioning or removal of USTs and other equipment is the responsibility of our tenants. We are contingently liable for these obligations in the event that the tenants do not satisfy their responsibilities. A liability has not been accrued for obligations that are the responsibility of our tenants, other than the \$47,874,000 accrued in the fourth quarter of 2011 for the Marketing Environmental Liabilities based on the tenants' history of paying such obligations and/or our assessment of their financial ability and intent to pay their share of such costs. However, there can be no assurance that our assessments are correct or that our tenants who have paid their obligations in the past will continue to do so.

It is possible that our assumptions regarding the ultimate allocation method and share of responsibility that we used to allocate environmental liabilities may change, which may result in material adjustments to the amounts recorded for environmental litigation accruals and environmental remediation liabilities. We are required to accrue for environmental liabilities that we believe are allocable to others under various other agreements if we determine that it is probable that the counterparty will not meet its environmental obligations. The ultimate resolution of these matters could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

The estimated future costs for known environmental remediation requirements are accrued when it is probable that a liability has been incurred and a reasonable estimate of fair value can be made. The accrued liability is the aggregate of the best estimate of the fair value of cost for each component of the liability net of estimated recoveries from state UST remediation funds considering estimated recovery rates developed from prior experience with the funds.

Environmental exposures are difficult to assess and estimate for numerous reasons, including the extent of contamination, alternative treatment methods that may be applied, location of the property which subjects it to differing local laws and regulations and their interpretations, as well as the time it takes to remediate contamination. In developing our liability for estimated environmental remediation costs on a property by property basis, we consider among other things, enacted laws and regulations, assessments of contamination and surrounding geology, quality of information available, currently available technologies for treatment, alternative methods of remediation and prior experience. Environmental accruals are based on estimates which are subject to significant change, and are adjusted as the remediation treatment progresses, as circumstances change and as environmental contingencies become more clearly defined and reasonably estimable.

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Of the 797 properties subject to the Master Lease as of December 31, 2011, we had agreed to pay all costs relating to, and to indemnify Marketing for, certain environmental liabilities at 160 retail properties that have not achieved Closure and are scheduled in the Master Lease, and provide limited indemnification to Marketing for certain pre-existing conditions at six of the terminals we own and lease to Marketing. In the fourth quarter of 2011, since we could no longer assume that Marketing would be able to meet its environmental remediation obligations at 246 properties and its obligations to remove underground storage tanks at the end of their useful life or earlier if circumstances warrant, we accrued \$47,874,000 as the aggregate Marketing Environmental Liabilities. In conjunction with recording the Marketing Environmental Liabilities, we increased the carrying value for each of the related properties by the amount of the related estimated environmental obligation and simultaneously recorded impairment charges aggregating \$17,017,000 where the increased carrying value of the property exceeded its estimated fair value. The recognition of the Marketing Environmental Liabilities and the increase in carrying value of the properties are non-cash transactions which do not appear on the face of the consolidated statements of cash flows. The increases in carrying values of the properties will be depreciated over the estimated remaining life of the underground storage tank, a ten year period if the increase in carrying value related to environmental remediation obligations or such shorter period if circumstances warrant, such as the remaining lease term for properties we lease from others. The actual amount of the Marketing Environmental Liabilities may be significantly higher and we can provide no assurance as to the accuracy of its estimates.

Environmental obligations are measured at fair value based on their expected future net cash flows which have been adjusted for inflation and discounted to present value. The estimated environmental remediation cost and accretion expense included in environmental expenses included in continuing operations in our consolidated statements of operations aggregated \$2,557,000, \$2,740,000 and \$3,856,000 for 2011, 2010 and 2009, respectively. In addition to estimated environmental remediation costs, environmental expenses also include project management fees, legal fees and provisions for environmental litigation loss reserves.

As of December 31, 2011, 2010 and 2009, we had accrued \$57,700,000, \$10,908,000 and \$12,645,000, respectively, as management's best estimate of the fair value of reasonably estimable environmental remediation costs net of estimated recoveries and obligations to remove USTs. The environmental liabilities were subsequently accreted for the change in present value due to the passage of time and, accordingly, \$899,000, \$775,000 and \$884,000 of net accretion expense was recorded for the years ended December 31, 2011, 2010 and 2009, respectively, substantially all of which is included in environmental expenses.

We cannot predict what environmental legislation or regulations may be enacted in the future or how existing laws or regulations will be administered or interpreted with respect to products or activities to which they have not previously been applied. We cannot predict if state UST fund programs will be administered and funded in the future in a manner that is consistent with past practices and if future environmental spending will continue to be eligible for reimbursement at historical recovery rates under these programs. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretation of existing laws, which may develop in the future, could have an adverse effect on our financial position, or that of its tenants, and could require substantial additional expenditures for future remediation.

In view of the uncertainties associated with environmental expenditures contingencies related to our tenants and other parties, however, we believe it is possible that the fair value of future actual net expenditures could be substantially higher than amounts currently recorded by us. Adjustments to accrued liabilities for environmental remediation costs will be reflected in our financial statements as they become probable and a reasonable estimate of fair value can be made. Future environmental expenses could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

**7. INCOME TAXES**

Net cash paid for income taxes for the years ended December 31, 2011, 2010 and 2009 of \$267,000, \$365,000 and \$467,000, respectively, includes amounts related to state and local income taxes for jurisdictions that do not follow the federal tax rules, which are provided for in rental property expenses in our consolidated statements of operations.

Earnings and profits (as defined in the Internal Revenue Code) are used to determine the tax attributes of dividends paid to stockholders and will differ from income reported for financial statement purposes due to the effect of items which are reported for income tax purposes in years different from that in which they are recorded for financial statement purposes. Earnings and profits were \$63,472,000, \$50,563,000 and \$47,349,000 for the years ended December 31, 2011, 2010 and 2009, respectively. The federal tax attributes of the common dividends for the years ended December 31, 2011, 2010 and 2009 were: ordinary income of 98.3%, 97.5% and 100.0%, capital gain distributions of 1.7%, 0.4% and 0.0% and non-taxable distributions of 0.0%, 2.1% and 0.0%, respectively.

To qualify for taxation as a REIT, we, among other requirements, must distribute annually to our stockholders at least 90% of our taxable income, including taxable income that is accrued by us without a corresponding receipt of cash. We cannot provide any assurance that our cash flows will permit us to continue paying cash dividends. The Internal Revenue Service has allowed the use of a



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procedure, as a result of which we could satisfy the REIT income distribution requirement by making a distribution on our common stock comprised of (i) shares of our common stock having a value of up to 90% of the total distribution and (ii) cash in the remaining amount of the total distribution, in lieu of paying the distribution entirely in cash. The procedure will only apply to distributions made after 2011 to the extent that we properly elect under applicable law to treat such distributions as made out of taxable income that arose in 2011. We cannot provide any assurance that we will be able to satisfy our REIT income distribution requirement with respect to taxable income arising in 2012 and thereafter by making distributions payable in whole or in part in shares of our common stock. Should the Internal Revenue Service successfully assert that our earnings and profits were greater than the amount distributed, we may fail to qualify as a REIT; however, we may avoid losing our REIT status by paying a deficiency dividend to eliminate any remaining earnings and profits. We may have to borrow money or sell assets to pay such a deficiency dividend. Although tax returns for the years 2008, 2009 and 2010, and tax returns which will be filed for the year ended 2011 remain open to examination by federal and state tax jurisdictions under the respective statute of limitations, we have not currently identified any uncertain tax positions related to those years and, accordingly, have not accrued for uncertain tax positions as of December 31, 2011 or 2010. However, uncertain tax matters may have a significant impact on the results of operations for any single fiscal year or interim period.

**8. SHAREHOLDERS EQUITY**

A summary of the changes in shareholders' equity for the years ended December 31, 2011, 2010 and 2009 is as follows (in thousands, except per share amounts):

|                                           |                        |        | DIVIDEND           |                          | ACCUMULATED           |            |
|-------------------------------------------|------------------------|--------|--------------------|--------------------------|-----------------------|------------|
|                                           |                        |        | PAID               |                          | OTHER                 |            |
|                                           | COMMON STOCK<br>SHARES | AMOUNT | PAID-IN<br>CAPITAL | IN EXCESS<br>OF EARNINGS | COMPREHENSIVE<br>LOSS | TOTAL      |
| BALANCE, DECEMBER 31, 2008                | 24,766                 | \$ 248 | \$ 259,069         | \$ (49,124)              | \$ (4,296)            | \$ 205,897 |
| Net earnings                              |                        |        |                    | 47,049                   |                       | 47,049     |
| Dividends \$1.87 per share                |                        |        |                    | (46,970)                 |                       | (46,970)   |
| Stock-based compensation                  |                        |        | 390                |                          |                       | 390        |
| Stock options exercised                   |                        |        |                    |                          |                       |            |
| Net unrealized loss on interest rate swap |                        |        |                    |                          | 1,303                 | 1,303      |
| BALANCE, DECEMBER 31, 2009                | 24,766                 | 248    | 259,459            | (49,045)                 | (2,993)               | 207,669    |
| Net earnings                              |                        |        |                    | 51,700                   |                       | 51,700     |
| Dividends \$1.91 per share                |                        |        |                    | (54,959)                 |                       | (54,959)   |
| Stock-based compensation                  | 1                      |        | 480                |                          |                       | 480        |
| Stock options exercised                   | 2                      |        |                    |                          |                       |            |
| Proceeds from issuance of common stock    | 5,175                  | 51     | 108,154            |                          |                       | 108,205    |
| Net unrealized gain on interest rate swap |                        |        |                    |                          | 1,840                 | 1,840      |
| BALANCE, DECEMBER 31, 2010                | 29,944                 | 299    | 368,093            | (52,304)                 | (1,153)               | 314,935    |
| Net earnings                              |                        |        |                    | 12,456                   |                       | 12,456     |
| Dividends \$1.46 per share                |                        |        |                    | (49,004)                 |                       | (49,004)   |
| Stock-based compensation                  |                        |        | 643                |                          |                       | 643        |
| Stock options exercised                   |                        |        |                    |                          |                       |            |
| Proceeds from issuance of common stock    | 3,450                  | 35     | 91,951             |                          |                       | 91,986     |
| Net unrealized gain on interest rate swap |                        |        |                    |                          | 1,153                 | 1,153      |
| BALANCE, DECEMBER 31, 2011                | 33,394                 | \$ 334 | \$ 460,687         | \$ (88,852)              | \$                    | \$ 372,169 |

We are authorized to issue 20,000,000 shares of preferred stock, par value \$.01 per share, of which none were issued as of December 31, 2011, 2010 and 2009.

In the first quarter of 2011, we completed a public stock offering of 3,450,000 shares of our common stock, of which 3,000,000 shares were issued in January 2011 and 450,000 shares, representing the underwriter's over-allotment, were issued in February 2011. Substantially all of the

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aggregate \$91,986,000 net proceeds from the issuance of common stock (after related transaction costs of \$267,000) was used to repay a portion of the outstanding balance under our Credit Agreement and the remainder was used for general corporate purposes.

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During the second quarter of 2010, we completed a public stock offering of 5,175,000 shares of our common stock. The \$108,205,000 net proceeds from the issuance of common stock (after related transaction costs of \$522,000) was used in part to repay a portion of the outstanding balance under the Credit Agreement and the remainder was used for general corporate purposes.

**9. EMPLOYEE BENEFIT PLANS**

The Getty Realty Corp. 2004 Omnibus Incentive Compensation Plan (the 2004 Plan ) provides for the grant of restricted stock, restricted stock units, performance awards, dividend equivalents, stock payments and stock awards to all employees and members of the Board of Directors. The 2004 Plan authorizes us to grant awards with respect to an aggregate of 1,000,000 shares of common stock through 2014. The aggregate maximum number of shares of common stock that may be subject to awards granted under the 2004 Plan during any calendar year is 80,000.

We awarded to employees and directors 47,625, 37,600 and, 23,600 restricted stock units ( RSUs ) and dividend equivalents in 2011, 2010 and 2009, respectively. RSUs granted before 2009 provide for settlement upon termination of employment with the Company or termination of service from the Board of Directors and RSUs granted in 2009 and thereafter upon the earlier of 10 (ten) years after grant or termination. On the settlement date each vested RSU will have a value equal to one share of common stock and may be settled, at the sole discretion of the Compensation Committee, in cash or by the issuance of one share of common stock. The RSUs do not provide voting or other shareholder rights unless and until the RSU is settled for a share of common stock. The RSUs vest starting one year from the date of grant, on a cumulative basis at the annual rate of 20% of the total number of RSUs covered by the award. The dividend equivalents represent the value of the dividends paid per common share multiplied by the number of RSUs covered by the award. For the years ended December 31, 2011, 2010 and 2009, dividend equivalents aggregating approximately \$249,000, \$228,000 and \$162,000, respectively, were charged against retained earnings when common stock dividends were declared.

The following is a schedule of the activity relating to the restricted stock units outstanding:

|                                       | NUMBER OF<br>RSUs<br>OUTSTANDING | FAIR VALUE<br>AMOUNT | AVERAGE<br>PER RSU |
|---------------------------------------|----------------------------------|----------------------|--------------------|
| RSUs OUTSTANDING AT DECEMBER, 2008    | 62,000                           |                      |                    |
| Granted                               | 23,600                           | \$ 393,000           | \$ 16.64           |
| RSUs OUTSTANDING AT DECEMBER 31, 2009 | 85,600                           |                      |                    |
| Granted                               | 37,600                           | \$ 864,000           | \$ 22.97           |
| RSUs OUTSTANDING AT DECEMBER 31, 2010 | 123,200                          |                      |                    |
| Granted                               | 47,625                           | \$ 1,043,000         | \$ 21.90           |
| RSUs OUTSTANDING AT DECEMBER 31, 2011 | 170,825                          |                      |                    |

The fair values of the RSUs were determined based on the closing market price of our stock on the date of grant. The fair value of the grants is recognized as compensation expense ratably over the five-year vesting period of the RSUs. Compensation expense related to RSUs for the years ended December 31, 2011, 2010 and 2009 was \$638,000, \$466,000 and \$382,000, respectively, and is included in general and administrative expense in the accompanying consolidated statements of operations. As of December 31, 2011, there was \$1,784,000 of unrecognized compensation cost related to RSUs granted under the 2004 Plan which cost is expected to be recognized over a weighted average period of approximately 2.6 years. The aggregate intrinsic value of the 170,825 outstanding RSUs and the 66,800 vested RSUs as of December 31, 2011 was \$2,383,000 and \$932,000, respectively.

The following is a schedule of the vesting activity relating to the restricted stock units outstanding:

| NUMBER<br>OF RSUs | FAIR<br>VALUE |
|-------------------|---------------|
|-------------------|---------------|

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|                                         | <b>VESTED</b> |            |
|-----------------------------------------|---------------|------------|
| <b>RSUs VESTED AT DECEMBER 31, 2008</b> | <b>17,400</b> |            |
| Vested                                  | 12,400        | \$ 335,000 |
| <b>RSUs VESTED AT DECEMBER 31, 2009</b> | <b>29,800</b> |            |
| Vested                                  | 15,600        | \$ 379,000 |
| <b>RSUs VESTED AT DECEMBER 31, 2010</b> | <b>45,400</b> |            |
| Vested                                  | 21,400        | \$ 505,000 |
| <b>RSUs VESTED AT DECEMBER 31, 2011</b> | <b>66,800</b> |            |

We have a retirement and profit sharing plan with deferred 401(k) savings plan provisions (the "Retirement Plan") for employees meeting certain service requirements and a supplemental plan for executives (the "Supplemental Plan"). Under the terms of these plans, the annual discretionary contributions to the plans are determined by the Compensation Committee of the Board of Directors.

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Also, under the Retirement Plan, employees may make voluntary contributions and we have elected to match an amount equal to fifty percent of such contributions but in no event more than three percent of the employee's eligible compensation. Under the Supplemental Plan, a participating executive may receive an amount equal to ten percent of eligible compensation, reduced by the amount of any contributions allocated to such executive under the Retirement Plan. Contributions, net of forfeitures, under the retirement plans approximated \$324,000, \$220,000 and \$159,000 for the years ended December 31, 2011, 2010 and 2009, respectively. These amounts are included in general and administrative expense in the accompanying consolidated statements of operations.

We have a stock option plan (the "Stock Option Plan"). Our authorization to grant options to purchase shares of our common stock under the Stock Option Plan has expired. During the year ended December 31, 2010, 5,250 options were exercised with an intrinsic value of \$76,000. As of December 31, 2011, there were 7,000 and 5,000 options outstanding which were exercisable at prices of \$18.30 and \$27.68 with a remaining contractual life of one and six years, respectively. As of December 31, 2011, the 12,000 options outstanding had no intrinsic value.

**10. QUARTERLY FINANCIAL DATA**

The following is a summary of the quarterly results of operations for the years ended December 31, 2011 and 2010 (unaudited as to quarterly information) (in thousands, except per share amounts):

|                                            | THREE MONTHS ENDED |           |               |              | YEAR ENDED   |
|--------------------------------------------|--------------------|-----------|---------------|--------------|--------------|
| YEAR ENDED DECEMBER 31, 2011(a)            | MARCH 31,          | JUNE 30,  | SEPTEMBER 30, | DECEMBER 31, | DECEMBER 31, |
| Revenues from rental properties            | \$ 24,964          | \$ 27,065 | \$ 27,273     | \$ 30,916    | \$ 110,218   |
| Earnings (loss) from continuing operations | 11,280             | 15,194    | 4,945         | (19,809)     | 11,610       |
| Net earnings (loss)                        | 11,386             | 15,202    | 5,350         | (19,482)     | 12,456       |
| Diluted earnings (loss) per common share:  |                    |           |               |              |              |
| Earnings (loss) from continuing operations | .34                | .45       | .15           | (.59)        | .34          |
| Net earnings (loss)                        | .35                | .45       | .16           | (.58)        | .37          |

|                                     | THREE MONTHS ENDED |           |               |              | YEAR ENDED   |
|-------------------------------------|--------------------|-----------|---------------|--------------|--------------|
| YEAR ENDED DECEMBER 31, 2010        | MARCH 31,          | JUNE 30,  | SEPTEMBER 30, | DECEMBER 31, | DECEMBER 31, |
| Revenues from rental properties     | \$ 22,364          | \$ 21,677 | \$ 21,936     | \$ 22,082    | \$ 88,059    |
| Earnings from continuing operations | 11,487             | 12,560    | 13,521        | 12,403       | 49,971       |
| Net earnings                        | 11,905             | 13,959    | 13,351        | 12,485       | 51,700       |
| Diluted earnings per common share:  |                    |           |               |              |              |
| Earnings from continuing operations | .46                | .46       | .45           | .41          | 1.78         |
| Net earnings                        | .48                | .51       | .44           | .42          | 1.84         |

(a) Includes for the respective periods the effect of:

- The January 13, 2011 acquisition of gasoline station and convenience store properties in a sale/leaseback and loan transaction with CPD NY Energy Corp. for \$111,621,000 and the March 31, 2011 acquisition of gasoline station and convenience store properties in a sale/leaseback transaction with Nouria Energy Ventures I, LLC for \$87,047,000. (See footnote 11 for additional information.)
- Allowances for deferred rent receivables of \$8,715,000 and \$11,043,000, related to Marketing, which were recorded in the quarters ended September 30, 2011 and December 31, 2011, respectively. (See footnotes 2 and 3 for additional information.)
- An accounts receivable reserve of \$8,802,000, related to Marketing, recorded in the quarter ended December 31, 2011. (See footnotes 2 and 3 for additional information.)

- Impairment charges of \$20,200,000 recorded for the year ended December 31, 2011, of which \$17,131,840 was recorded in the quarter ended December 31, 2011. (See footnote 3 for additional information.)

## 11. PROPERTY ACQUISITIONS

### *CPD NY SALE/LEASEBACK*

On January 13, 2011, we acquired fee or leasehold title to 59 Mobil-branded gasoline station and convenience store properties and also took a security interest in six other Mobil-branded gasoline stations and convenience store properties in a sale/leaseback and loan transaction with CPD NY Energy Corp. ( CPD NY ), a subsidiary of Chestnut Petroleum Dist. Inc. Our total investment in the transaction was \$111,621,000 including acquisition costs, which was financed entirely with borrowings under our Credit Agreement.

The properties were acquired or financed in a simultaneous transaction among ExxonMobil, CPD NY and us whereby CPD NY acquired a portfolio of 65 gasoline station and convenience stores from ExxonMobil and simultaneously completed a sale/leaseback of 59 of the acquired properties and leasehold interests with us. The lease between us, as lessor, and CPD NY, as lessee, governing the properties is a unitary triple-net lease agreement (the CPD Lease ), with an initial term of 15 years, and options for up to three successive renewal terms of ten years each. The CPD Lease requires CPD NY to pay a fixed annual rent for the properties (the Rent ), plus an amount equal to all rent due to third-party landlords pursuant to the terms of third-party leases. The Rent is scheduled to increase on the third anniversary of the date of the CPD Lease and on every third anniversary thereafter. As a triple-net lessee, CPD NY is required to pay all amounts pertaining to the properties subject to the CPD Lease, including taxes, assessments, licenses and permit fees, charges for public utilities and all governmental charges. Partial funding to CPD NY for the transaction was also provided by us under a secured, self-amortizing loan having a 10-year term (the CPD Loan ).

We accounted for this transaction as a business combination. We estimated the fair value of acquired tangible assets (consisting of land, buildings and equipment) as if vacant and intangible assets consisting of above-market and below-market leases. Based on these estimates, we allocated \$60,610,000 of the purchase price to land, net above-market and below-market leases related to leasehold interests as lessee of \$953,000 which is accounted for as a deferred asset, net above-market and below-market leases related

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to leasehold interests as lessor of \$2,516,000 which is accounted for as a deferred liability, \$38,752,000 allocated to direct financing leases and capital lease assets, and \$18,400,000 which is accounted for in notes, mortgages and accounts receivable, net. In connection with the acquisition of certain leasehold interests, we also recorded capital lease obligations aggregating \$5,768,000. We also incurred transaction costs of \$1,190,000 directly related to the acquisition which is included in general and administrative expenses on the consolidated statement of operations. The future contractual minimum annual rent receivable from CPD NY on a calendar year basis is as follows: 2012 \$8,826,000, 2013 \$8,826,000, 2014 \$9,090,000, 2015 \$9,090,000, 2016 \$9,090,000, 2017 \$9,363,000 and \$77,791,000 thereafter.

The selected financial data of CPD NY as of December 31, 2011 and for the year then ended, which has been prepared by CPD NY's management, is provided below:

|                                                             |            |
|-------------------------------------------------------------|------------|
| (in thousands)                                              |            |
| Operating Data (for the period ended December 31, 2011)(a): |            |
| Total revenue                                               | \$ 360,867 |
| Gross profit                                                | 17,119     |
| Net income                                                  | 6,232      |
| Balance Sheet Data (at December 31, 2011):                  |            |
| Current assets                                              | 6,166      |
| Noncurrent assets                                           | 20,138     |
| Current liabilities                                         | 1,039      |
| Noncurrent liabilities                                      | 19,033     |

(a) Operating data from its inception on January 13, 2011 through December 31, 2011.  
NOURIA SALE/LEASEBACK

On March 31, 2011, we acquired fee or leasehold title to 66 Shell-branded gasoline station and convenience store properties in a sale/leaseback transaction with Nouria Energy Ventures I, LLC (Nouria), a subsidiary of Nouria Energy Group. Our total investment in the transaction was \$87,047,000 including acquisition costs, which was financed entirely with borrowings under our Credit Agreement.

The properties were acquired in a simultaneous transaction among Motiva Enterprises LLC (Shell), Nouria and us whereby Nouria acquired a portfolio of 66 gasoline station and convenience stores from Shell and simultaneously completed a sale/leaseback of the 66 acquired properties and leasehold interests with us. The lease between us, as lessor, and Nouria, as lessee, governing the properties is a unitary triple-net lease agreement (the Nouria Lease), with an initial term of 20 years, and options for up to two successive renewal terms of ten years each followed by one final renewal term of five years. The Nouria Lease requires Nouria to pay a fixed annual rent for the properties (the Rent), plus an amount equal to all rent due to third-party landlords pursuant to the terms of third-party leases. The Rent is scheduled to increase on every annual anniversary of the date of the Nouria Lease. As a triple-net lessee, Nouria is required to pay all amounts pertaining to the properties subject to the Nouria Lease, including taxes, assessments, licenses and permit fees, charges for public utilities and all governmental charges.

We accounted for this transaction as a business combination. We estimated the fair value of acquired tangible assets (consisting of land, buildings and equipment) as if vacant and intangible assets consisting of above-market and below-market leases. Based on these estimates, we allocated \$37,875,000 of the purchase price to land, net above-market and below-market leases relating to leasehold interests as lessee of \$3,895,000, which is accounted for as a deferred asset, net above-market and below-market leases related to leasehold interests as lessor of \$3,768,000, which is accounted for as a deferred liability, \$37,315,000 allocated to direct financing leases and capital lease assets and \$12,000,000 which is accounted for in notes, mortgages and accounts receivable, net. In connection with the acquisition of certain leasehold interests, we also recorded capital lease obligations aggregating \$1,114,000. We also incurred transaction costs of \$844,000 directly related to the acquisition which is included in general and administrative expenses on the consolidated statement of operations. The future contractual minimum annual rent receivable from Nouria on a calendar year basis is as follows: 2012 \$8,675,000, 2013 \$8,812,000, 2014 \$8,952,000, 2015 \$9,095,000, 2016 \$9,240,000, 2017 \$9,388,000 and \$121,655,000 thereafter.

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In 2010, we purchased three properties for a total purchase price of \$3,567,000.

In addition to the acquisition of 36 properties from White Oak Petroleum LLC ( White Oak ), described in more detail below, in 2009, we also exercised our fixed purchase price option for one property and purchased three properties for a total purchase price of \$6,264,000.

**WHITE OAK SALE/LEASEBACK**

On September 25, 2009, we acquired the real estate assets of 36 gasoline station and convenience store properties located primarily in Prince George's County, Maryland for \$49,000,000 in a sale/leaseback transaction with White Oak. We financed this transaction with \$24,500,000 of borrowings under our Credit Agreement and \$24,500,000 of indebtedness under the Term Loan Agreement entered into on that date.

The real estate assets were acquired in a simultaneous transaction among ExxonMobil, White Oak and us, whereby White Oak acquired the properties and related businesses from ExxonMobil and simultaneously completed a sale/leaseback of the real estate of all 36 properties with us. The unitary triple-net lease for the properties between White Oak and us has an initial term of 20 years and provides White Oak with options for three renewal terms of ten years each extending to 2059. The unitary triple-net lease provides for annual rent escalations.

The purchase price has been allocated among the assets acquired based on the estimates of fair value. We estimated the fair value of acquired tangible assets (consisting of land, buildings and equipment) as if vacant. Based on these estimates, we allocated \$29,929,000 of the purchase price to land, which is accounted for as an operating lease, and \$19,071,000 to buildings and equipment, which is accounted for as a direct financing lease.

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The following unaudited pro forma condensed consolidated financial information has been prepared utilizing our historical financial statements and the combined effect of additional revenue and expenses from the properties acquired from both CPD NY and Nouria assuming that the acquisitions had occurred as of the beginning of the earliest period presented, after giving effect to certain adjustments including: (a) rental income adjustments resulting from the straight-lining of scheduled rent increases; (b) rental income adjustments resulting from the recognition of revenue under direct financing leases over the lease terms using the effective interest rate method which produces a constant periodic rate of return on the net investments in the leased properties; (c) rental income adjustments resulting from the amortization of above-market leases with tenants; and (d) rent expense adjustments resulting from the amortization of below-market leases with landlords. The following information also gives effect to the additional interest expense resulting from the assumed increase in borrowings outstanding under the Credit Agreement to fund the acquisitions and the elimination of acquisition costs. The unaudited pro forma condensed financial information is not indicative of the results of operations that would have been achieved had the acquisition from CPD NY and Nouria reflected herein been consummated on the dates indicated or that will be achieved in the future.

| (in thousands)                                  | Year Ended December 31, |            |
|-------------------------------------------------|-------------------------|------------|
|                                                 | 2011                    | 2010       |
| Revenues                                        | \$ 113,022              | \$ 109,535 |
| Net earnings                                    | \$ 14,647               | \$ 69,422  |
| Basic and diluted net earnings per common share | \$ .44                  | \$ 2.48    |

**12. SUPPLEMENTAL CONDENSED COMBINING FINANCIAL INFORMATION**

Condensed combining financial information as of December 31, 2011 and 2010 and for the three year period ended December 31, 2011 has been derived from our books and records and is provided below to illustrate, for informational purposes only, the net contribution to our financial results that are realized from the leasing operations of properties subject to the Master Lease with Marketing (which represents approximately 69% of our properties as of December 31, 2011) and from properties leased to other tenants. The condensed combining financial information set forth below presents our results of operations, net assets and cash flows, related to Marketing, our other tenants and our corporate functions necessary to arrive at the information for us on a combined basis. The assets, liabilities, lease agreements and other leasing operations attributable to the Master Lease and other tenant leases are not segregated in legal entities. However, we generally maintain our books and records in site specific detail and have classified the operating results which are clearly applicable to each owned or leased property as attributable to Marketing or to our other tenants or to non-operating corporate functions. The condensed combining financial information has been prepared by us using certain



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assumptions, judgments and allocations. Each of our properties were classified as attributable to Marketing, other tenants or corporate for all periods presented based on the property's use as of December 31, 2011 or the property's use immediately prior to its disposition or third-party lease expiration. Environmental remediation expenses have been attributed to Marketing or other tenants on a site specific basis and environmental related litigation expenses and professional fees have been attributed to Marketing or other tenants based on the pro rata share of specifically identifiable environmental expenses for the period from January 1, 2009 through December 31, 2011.

The heading "Corporate" in the statements below includes assets, liabilities, income and expenses attributed to general and administrative functions, financing activities and parent or subsidiary level income taxes, capital taxes or franchise taxes which were not incurred on behalf of our leasing operations and are not reasonably allocable to Marketing or other tenants. With respect to general and administrative expenses, we have attributed those expenses clearly applicable to Marketing and other tenants. We considered various methods of allocating to Marketing and other tenants amounts included under the heading "Corporate" and determined that none of the methods resulted in a reasonable allocation of such amounts or an allocation of such amounts that more clearly summarizes the net contribution to our financial results realized from the leasing operations of properties leased to Marketing and of properties leased to other tenants. Moreover, we determined that each of the allocation methods we considered resulted in a presentation of these amounts that would make it more difficult to understand the clearly identifiable results from our leasing operations attributable to Marketing and other tenants. We believe that the segregated presentation of assets, liabilities, income and expenses attributed to general and administrative functions, financing activities and parent or subsidiary level income taxes, capital taxes or franchise taxes provides the most meaningful presentation of these amounts since changes in these amounts are not fully correlated to changes in our leasing activities.

While we believe these assumptions, judgments and allocations are reasonable, the condensed combining financial information is not intended to reflect what the net results would have been had assets, liabilities, lease agreements and other operations attributable to Marketing or our other tenants had been conducted through stand-alone entities during any of the periods presented.

The condensed combining statement of operations of Getty Realty Corp. for the year ended December 31, 2011 is as follows (in thousands):

|                                            | Getty                  |                  |           |              |
|--------------------------------------------|------------------------|------------------|-----------|--------------|
|                                            | Petroleum<br>Marketing | Other<br>Tenants | Corporate | Consolidated |
| Revenues from rental properties            | \$ 62,118              | \$ 48,100        | \$        | \$ 110,218   |
| Interest on notes and mortgages receivable |                        | 2,489            | 169       | 2,658        |
| Total revenues                             | 62,118                 | 50,589           | 169       | 112,876      |
| Operating expenses:                        |                        |                  |           |              |
| Rental property expenses                   | (8,777)                | (7,305)          | (641)     | (16,723)     |
| Impairment charges                         | (18,676)               | (1,300)          |           | (19,976)     |
| Environmental expenses, net                | (5,706)                | (122)            |           | (5,828)      |
| General and administrative expenses        | (10,419)               | (1,783)          | (11,383)  | (23,585)     |
| Allowance for deferred rent receivable     | (19,758)               |                  |           | (19,758)     |
| Depreciation and amortization expense      | (5,010)                | (5,231)          | (46)      | (10,287)     |
| Total operating expenses                   | (68,346)               | (15,741)         | (12,070)  | (96,157)     |
| Operating income (loss)                    | (6,228)                | 34,848           | (11,901)  | 16,719       |
| Other income, net                          | 641                    | (621)            | (4)       | 16           |
| Interest expense                           |                        |                  | (5,125)   | (5,125)      |
| Earnings (loss) from continuing operations | (5,587)                | 34,227           | (17,030)  | 11,610       |
| Discontinued operations:                   |                        |                  |           |              |
| Loss from operating activities             | 81                     | (183)            |           | (102)        |
| Gains on dispositions of real estate       |                        | 948              |           | 948          |
| Earnings from discontinued operations      | 81                     | 765              |           | 846          |

|                     |    |         |    |        |    |          |    |        |
|---------------------|----|---------|----|--------|----|----------|----|--------|
| Net earnings (loss) | \$ | (5,506) | \$ | 34,992 | \$ | (17,030) | \$ | 12,456 |
|---------------------|----|---------|----|--------|----|----------|----|--------|

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The condensed combining statement of operations of Getty Realty Corp. for the year ended December 31, 2010 is as follows (in thousands):

|                                              | <b>Getty<br/>Petroleum<br/>Marketing</b> | <b>Other<br/>Tenants</b> | <b>Corporate</b>   | <b>Consolidated</b> |
|----------------------------------------------|------------------------------------------|--------------------------|--------------------|---------------------|
| Revenues from rental properties              | \$ 58,578                                | \$ 29,481                | \$                 | \$ 88,059           |
| Interest on notes and mortgages receivable   |                                          |                          | 133                | 133                 |
| <b>Total revenues</b>                        | <b>58,578</b>                            | <b>29,481</b>            | <b>133</b>         | <b>88,192</b>       |
| Operating expenses:                          |                                          |                          |                    |                     |
| Rental property expenses                     | (7,012)                                  | (2,580)                  | (478)              | (10,070)            |
| Environmental expenses, net                  | (5,302)                                  | (127)                    |                    | (5,429)             |
| General and administrative expenses          | (146)                                    | (135)                    | (7,897)            | (8,178)             |
| Depreciation and amortization expense        | (4,201)                                  | (5,412)                  | (37)               | (9,650)             |
| <b>Total operating expenses</b>              | <b>(16,661)</b>                          | <b>(8,254)</b>           | <b>(8,412)</b>     | <b>(33,327)</b>     |
| Operating income (loss)                      | 41,917                                   | 21,227                   | (8,279)            | 54,865              |
| Other income, net                            | (172)                                    | 172                      | 156                | 156                 |
| Interest expense                             |                                          |                          | (5,050)            | (5,050)             |
| Earnings (loss) from continuing operations   | 41,745                                   | 21,399                   | (13,173)           | 49,971              |
| Discontinued operations:                     |                                          |                          |                    |                     |
| Loss from operating activities               | (82)                                     | 106                      |                    | 24                  |
| Gains on dispositions of real estate         | 1,857                                    | (152)                    |                    | 1,705               |
| <b>Earnings from discontinued operations</b> | <b>1,775</b>                             | <b>(46)</b>              |                    | <b>1,729</b>        |
| <b>Net earnings (loss)</b>                   | <b>\$ 43,520</b>                         | <b>\$ 21,353</b>         | <b>\$ (13,173)</b> | <b>\$ 51,700</b>    |

The condensed combining statement of operations of Getty Realty Corp. for the year ended December 31, 2009 is as follows (in thousands):

|                                            | <b>Getty<br/>Petroleum<br/>Marketing</b> | <b>Other<br/>Tenants</b> | <b>Corporate</b> | <b>Consolidated</b> |
|--------------------------------------------|------------------------------------------|--------------------------|------------------|---------------------|
| Revenues from rental properties            | \$ 60,607                                | \$ 23,436                | \$               | \$ 84,043           |
| Interest on notes and mortgages receivable |                                          |                          | 127              | 127                 |
| <b>Total revenues</b>                      | <b>60,607</b>                            | <b>23,436</b>            | <b>127</b>       | <b>84,170</b>       |
| Operating expenses:                        |                                          |                          |                  |                     |
| Rental property expenses                   | (6,925)                                  | (3,168)                  | (560)            | (10,653)            |
| Impairment Charges                         | (1,135)                                  |                          |                  | (1,135)             |
| Environmental expenses, net                | (8,544)                                  | (201)                    |                  | (8,745)             |
| General and administrative expenses        | (280)                                    | (231)                    | (6,338)          | (6,849)             |
| Depreciation and amortization expense      | (5,523)                                  | (5,084)                  | (71)             | (10,678)            |
| <b>Total operating expenses</b>            | <b>(22,407)</b>                          | <b>(8,684)</b>           | <b>(6,969)</b>   | <b>(38,060)</b>     |

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|                                            |           |           |             |           |
|--------------------------------------------|-----------|-----------|-------------|-----------|
| Operating income (loss)                    | 38,200    | 14,752    | (6,842)     | 46,110    |
| Other income (expense), net                | 153       | (50)      | 317         | 420       |
| Interest expense                           |           |           | (5,091)     | (5,091)   |
| Earnings (loss) from continuing operations | 38,353    | 14,702    | (11,616)    | 41,439    |
| Discontinued operations:                   |           |           |             |           |
| Earnings (loss) from operating activities  | (47)      | 293       |             | 246       |
| Gains on dispositions of real estate       | 4,591     | 773       |             | 5,364     |
| Earnings from discontinued operations      | 4,544     | 1,066     |             | 5,610     |
| Net earnings (loss)                        | \$ 42,897 | \$ 15,768 | \$ (11,616) | \$ 47,049 |

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The condensed combining balance sheet of Getty Realty Corp. as of December 31, 2011 is as follows (in thousands):

|                                                | Getty<br>Petroleum<br>Marketing | Other<br>Tenants | Corporate    | Consolidated |
|------------------------------------------------|---------------------------------|------------------|--------------|--------------|
| <b>ASSETS:</b>                                 |                                 |                  |              |              |
| Real Estate:                                   |                                 |                  |              |              |
| Land                                           | \$ 131,076                      | \$ 214,397       | \$           | \$ 345,473   |
| Buildings and improvements                     | 170,553                         | 99,479           | 349          | 270,381      |
|                                                | 301,629                         | 313,876          | 349          | 615,854      |
| Less accumulated depreciation and amortization | (107,480)                       | (29,446)         | (191)        | (137,117)    |
| Real estate, net                               | 194,149                         | 284,430          | 158          | 478,737      |
| Net investment in direct financing leases      |                                 | 92,632           |              | 92,632       |
| Deferred rent receivable, net                  |                                 | 8,080            |              | 8,080        |
| Cash and cash equivalents                      |                                 |                  | 7,698        | 7,698        |
| Other receivables, net                         |                                 | 43               | 1,046        | 1,089        |
| Notes, mortgages and accounts receivable, net  | 5,743                           | 28,262           | 2,078        | 36,083       |
| Prepaid expenses and other assets              |                                 | 7,568            | 3,202        | 10,770       |
| Total assets                                   | 199,892                         | 421,015          | 14,182       | 635,089      |
| <b>LIABILITIES:</b>                            |                                 |                  |              |              |
| Borrowings under credit line                   |                                 |                  | 147,700      | 147,700      |
| Term loan                                      |                                 |                  | 22,810       | 22,810       |
| Environmental remediation costs                | 57,368                          | 332              |              | 57,700       |
| Dividends payable                              |                                 |                  |              |              |
| Accounts payable and accrued liabilities       | 4,002                           | 19,564           | 11,144       | 34,710       |
| Total liabilities                              | 61,370                          | 19,896           | 181,654      | 262,920      |
| Net assets (liabilities)                       | \$ 138,522                      | \$ 401,119       | \$ (167,472) | \$ 372,169   |

The condensed combining balance sheet of Getty Realty Corp. as of December 31, 2010 is as follows (in thousands):

|                                                | Getty<br>Petroleum<br>Marketing | Other<br>Tenants | Corporate | Consolidated |
|------------------------------------------------|---------------------------------|------------------|-----------|--------------|
| <b>ASSETS:</b>                                 |                                 |                  |           |              |
| Real Estate:                                   |                                 |                  |           |              |
| Land                                           | \$ 137,151                      | \$ 116,262       | \$        | \$ 253,413   |
| Buildings and improvements                     | 152,570                         | 98,233           | 371       | 251,174      |
|                                                | 289,721                         | 214,495          | 371       | 504,587      |
| Less accumulated depreciation and amortization | (118,784)                       | (25,241)         | (192)     | (144,217)    |
| Real estate, net                               | 170,937                         | 189,254          | 179       | 360,370      |
| Net investment in direct financing leases      |                                 | 20,540           |           | 20,540       |
| Deferred rent receivable, net                  | 21,221                          | 6,164            |           | 27,385       |

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|                                          |            |            |             |            |
|------------------------------------------|------------|------------|-------------|------------|
| Cash and cash equivalents                |            |            | 6,122       | 6,122      |
| Other receivables, net                   |            | 271        | 296         | 567        |
| Mortgages and accounts receivable, net   | 13         | 238        | 1,274       | 1,525      |
| Prepaid expenses and other assets        |            | 3,444      | 3,225       | 6,669      |
| Total assets                             | 192,171    | 219,911    | 11,096      | 423,178    |
| <b>LIABILITIES:</b>                      |            |            |             |            |
| Borrowings under credit line             |            |            | 41,300      | 41,300     |
| Term loan                                |            |            | 23,590      | 23,590     |
| Environmental remediation costs          | 9,967      | 941        |             | 10,908     |
| Dividends payable                        |            |            | 14,432      | 14,432     |
| Accounts payable and accrued liabilities | 962        | 6,953      | 10,098      | 18,013     |
| Total liabilities                        | 10,929     | 7,894      | 89,420      | 108,243    |
| Net assets (liabilities)                 | \$ 181,242 | \$ 212,017 | \$ (78,324) | \$ 314,935 |

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The condensed combining statement of cash flows of Getty Realty Corp. for the year ended December 31, 2011 is as follows (in thousands):

|                                                                                                 | Getty<br>Petroleum<br>Marketing | Other<br>Tenants | Corporate   | Consolidated |
|-------------------------------------------------------------------------------------------------|---------------------------------|------------------|-------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                    |                                 |                  |             |              |
| Net earnings (loss)                                                                             | \$ (5,506)                      | \$ 34,992        | \$ (17,030) | \$ 12,456    |
| Adjustments to reconcile net earnings (loss) to net cash flow provided by operating activities: |                                 |                  |             |              |
| Depreciation and amortization expense                                                           | 5,024                           | 5,266            | 46          | 10,336       |
| Impairment charges                                                                              | 18,676                          | 1,550            |             | 20,226       |
| Gains on dispositions of real estate                                                            | (641)                           | (327)            |             | (968)        |
| Deferred rent receivable, net of allowance                                                      | 1,463                           | (1,916)          |             | (453)        |
| Allowance for deferred rent and accounts receivable                                             | 28,879                          |                  |             | 28,879       |
| Amortization of above-market and below-market leases                                            |                                 | (685)            |             | (685)        |
| Accretion expense                                                                               | 879                             | 20               |             | 899          |
| Stock-based employee compensation expense                                                       |                                 |                  | 643         | 643          |
| Changes in assets and liabilities:                                                              |                                 |                  |             |              |
| Other receivables, net                                                                          |                                 | 228              |             | 228          |
| Net investment in direct financing leases                                                       |                                 | 505              |             | 505          |
| Accounts receivable, net                                                                        | (14,851)                        | (39)             |             | (14,890)     |
| Prepaid expenses and other assets                                                               |                                 | (68)             | 198         | 130          |
| Environmental remediation costs                                                                 | (1,304)                         | (677)            |             | (1,981)      |
| Accounts payable and accrued liabilities                                                        | 3,040                           | 662              | 2,203       | 5,905        |
| Net cash flow provided by (used in) operating activities                                        | 35,659                          | 39,511           | (13,940)    | 61,230       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                    |                                 |                  |             |              |
| Property acquisitions and capital expenditures                                                  |                                 | (167,471)        | (24)        | (167,495)    |
| Proceeds from dispositions of real estate                                                       | 1,604                           | 1,781            |             | 3,385        |
| Decrease in cash held for property acquisitions                                                 |                                 |                  | (750)       | (750)        |
| Issuance of notes and mortgages receivable                                                      |                                 | (30,400)         | (1,068)     | (31,468)     |
| Collection of notes and mortgages receivable                                                    |                                 | 2,415            | 264         | 2,679        |
| Net cash flow provided by (used in) investing activities                                        | 1,604                           | (193,675)        | (1,578)     | (193,649)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                    |                                 |                  |             |              |
| Borrowings under credit agreement                                                               |                                 |                  | 247,253     | 247,253      |
| Repayments under credit agreement                                                               |                                 |                  | (140,853)   | (140,853)    |
| Repayments under term loan agreement                                                            |                                 |                  | (780)       | (780)        |
| Cash dividends paid                                                                             |                                 |                  | (63,436)    | (63,436)     |
| Payments of loan origination costs                                                              |                                 |                  | (175)       | (175)        |
| Net proceeds from issuance of common stock                                                      |                                 |                  | 91,986      | 91,986       |
| Cash consolidation- Corporate                                                                   | (37,263)                        | 153,882          | (116,619)   |              |
| Net cash flow (used in) provided by financing activities                                        | (37,263)                        | 153,882          | 17,376      | 133,995      |
| Net increase in cash and cash equivalents                                                       |                                 |                  | 1,576       | 1,576        |
| Cash and cash equivalents at beginning of year                                                  |                                 |                  | 6,122       | 6,122        |
| Cash and cash equivalents at end of year                                                        | \$                              | \$               | \$ 7,698    | \$ 7,698     |



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The condensed combining statement of cash flows of Getty Realty Corp. for the year ended December 31, 2010 is as follows (in thousands):

|                                                                                                 | Getty<br>Petroleum<br>Marketing | Other<br>Tenants | Corporate   | Consolidated |
|-------------------------------------------------------------------------------------------------|---------------------------------|------------------|-------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                    |                                 |                  |             |              |
| Net earnings (loss)                                                                             | \$ 43,520                       | \$ 21,353        | \$ (13,173) | \$ 51,700    |
| Adjustments to reconcile net earnings (loss) to net cash flow provided by operating activities: |                                 |                  |             |              |
| Depreciation and amortization expense                                                           | 4,229                           | 5,472            | 37          | 9,738        |
| Impairment charges                                                                              |                                 |                  |             |              |
| Gains on dispositions of real estate                                                            | (1,685)                         | (20)             |             | (1,705)      |
| Deferred rent receivable                                                                        | 1,580                           | (1,484)          |             | 96           |
| Allowance for accounts receivable                                                               |                                 | 229              |             | 229          |
| Amortization of above-market and below-market leases                                            |                                 | (1,260)          |             | (1,260)      |
| Accretion expense                                                                               | 758                             | 17               |             | 775          |
| Stock-based employee compensation expense                                                       |                                 |                  | 480         | 480          |
| Changes in assets and liabilities:                                                              |                                 |                  |             |              |
| Other receivables, net                                                                          |                                 | 408              |             | 408          |
| Net investment in direct financing leases                                                       |                                 | (323)            |             | (323)        |
| Accounts receivable, net                                                                        | (15)                            | (174)            |             | (189)        |
| Prepaid expenses and other assets                                                               |                                 | 59               | (542)       | (483)        |
| Environmental remediation costs                                                                 | (3,062)                         | 550              |             | (2,512)      |
| Accounts payable and accrued liabilities                                                        | 42                              | (273)            | 200         | (31)         |
| Net cash flow provided by (used in) operating activities                                        | 45,367                          | 24,554           | (12,998)    | 56,923       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                    |                                 |                  |             |              |
| Property acquisitions and capital expenditures                                                  |                                 | (4,629)          | (96)        | (4,725)      |
| Proceeds from dispositions of real estate                                                       | 2,623                           | 235              |             | 2,858        |
| Decrease in cash held for property acquisitions                                                 |                                 |                  | 2,665       | 2,665        |
| Collection of mortgages receivable, net                                                         |                                 |                  | 158         | 158          |
| Net cash flow provided by (used in) investing activities                                        | 2,623                           | (4,394)          | 2,727       | 956          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                    |                                 |                  |             |              |
| Borrowing under credit agreement                                                                |                                 |                  | 163,500     | 163,500      |
| Repayments under credit agreement                                                               |                                 |                  | (273,400)   | (273,400)    |
| Repayments under term loan agreement                                                            |                                 |                  | (780)       | (780)        |
| Cash dividends paid                                                                             |                                 |                  | (52,332)    | (52,332)     |
| Net proceeds from issuance of common stock                                                      |                                 |                  | 108,205     | 108,205      |
| Cash consolidation- Corporate                                                                   | (47,990)                        | (20,160)         | 68,150      |              |
| Net cash flow (used in) provided by financing activities                                        | (47,990)                        | (20,160)         | 13,343      | (54,807)     |
| Net increase in cash and cash equivalents                                                       |                                 |                  | 3,072       | 3,072        |
| Cash and cash equivalents at beginning of year                                                  |                                 |                  | 3,050       | 3,050        |
| Cash and cash equivalents at end of year                                                        | \$                              | \$               | \$ 6,122    | \$ 6,122     |

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The condensed combining statement of cash flows of Getty Realty Corp. for the year ended December 31, 2009 is as follows (in thousands):

|                                                                                                 | Getty<br>Petroleum<br>Marketing | Other<br>Tenants | Corporate   | Consolidated |
|-------------------------------------------------------------------------------------------------|---------------------------------|------------------|-------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                    |                                 |                  |             |              |
| Net earnings (loss)                                                                             | \$ 42,897                       | \$ 15,768        | \$ (11,616) | \$ 47,049    |
| Adjustments to reconcile net earnings (loss) to net cash flow provided by operating activities: |                                 |                  |             |              |
| Depreciation and amortization expense                                                           | 5,605                           | 5,351            | 71          | 11,027       |
| Impairment charges                                                                              | 1,135                           |                  |             | 1,135        |
| Gains on dispositions of real estate                                                            | (4,744)                         | (723)            |             | (5,467)      |
| Deferred rent receivable                                                                        | 99                              | (862)            |             | (763)        |
| Allowance for accounts receivable                                                               |                                 | 120              |             | 120          |
| Amortization of above-market and below-market leases                                            |                                 | (1,217)          |             | (1,217)      |
| Accretion expense                                                                               | 864                             | 20               |             | 884          |
| Stock-based employee compensation expense                                                       |                                 |                  | 390         | 390          |
| Changes in assets and liabilities:                                                              |                                 |                  |             |              |
| Other receivables, net                                                                          |                                 | (669)            |             | (669)        |
| Net investment in direct financing leases                                                       |                                 | (85)             |             | (85)         |
| Accounts receivable, net                                                                        | 9                               | (184)            |             | (175)        |
| Prepaid expenses and other assets                                                               |                                 | (47)             | 386         | 339          |
| Environmental remediation costs                                                                 | (1,734)                         | 58               |             | (1,676)      |
| Accounts payable and accrued liabilities                                                        | (232)                           | 305              | 1,567       | 1,640        |
| Net cash flow provided by (used in) operating activities                                        | 43,899                          | 17,835           | (9,202)     | 52,532       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                    |                                 |                  |             |              |
| Property acquisitions and capital expenditures                                                  | (483)                           | (54,785)         | (49)        | (55,317)     |
| Proceeds from dispositions of real estate                                                       | 5,701                           | 1,238            |             | 6,939        |
| Increase in cash held for property acquisitions                                                 |                                 |                  | (1,623)     | (1,623)      |
| Issuance of notes and mortgages receivable                                                      |                                 |                  | (300)       | (300)        |
| Collection of mortgages receivable                                                              |                                 |                  | 155         | 155          |
| Net cash flow provided by (used in) investing activities                                        | 5,218                           | (53,547)         | (1,817)     | (50,146)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                    |                                 |                  |             |              |
| Borrowings under credit agreement                                                               |                                 |                  | 79,000      | 79,000       |
| Repayments under credit agreement                                                               |                                 |                  | (58,050)    | (58,050)     |
| Borrowings under term loan agreement                                                            |                                 |                  | 24,500      | 24,500       |
| Repayments under credit agreement                                                               |                                 |                  | (130)       | (130)        |
| Cash dividends paid                                                                             |                                 |                  | (46,834)    | (46,834)     |
| Cash consolidation Corporate                                                                    | (49,117)                        | 35,712           | 13,405      |              |
| Net cash flow (used in) provided by financing activities                                        | (49,117)                        | 35,712           | 11,891      | (1,514)      |
| Net increase in cash and cash equivalents                                                       |                                 |                  | 872         | 872          |
| Cash and cash equivalents at beginning of year                                                  |                                 |                  | 2,178       | 2,178        |
| Cash and cash equivalents at end of year                                                        | \$                              | \$               | \$ 3,050    | \$ 3,050     |

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Getty Realty Corp.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income and cash flows present fairly, in all material respects, the financial position of Getty Realty Corp. and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

New York, New York

March 15, 2012

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**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or furnished pursuant to the Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by the Exchange Act Rule 13a-15(b), we have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2011.

There have been no changes in our internal control over financial reporting during the latest fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8. Financial Statements and Supplementary Data.

There have been no changes in our internal control over financial reporting during the latest fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

***Credit Agreement /Amended Credit Agreement***

We were a party to a \$175.0 million amended and restated senior unsecured revolving credit agreement (the "Credit Agreement") entered into in March 2007 with a group of commercial banks led by JPMorgan Chase Bank, N.A. (the "Bank Syndicate") which was scheduled to expire in March 2012. On March 9, 2012, the Company entered into an agreement with the Bank Syndicate amending the interest rate and other significant terms of the Credit Agreement and extending the maturity date by one year to March 2013 (the "Amended Credit Agreement"). The Amended Credit Agreement provides for security in the form of, among other items, mortgage liens on several portfolios of the Company's properties with an aggregate value of not less than \$220.0 million based on a percentage of loan outstanding to property value. The Amended Credit Agreement allocates \$125.0 million of the total Bank Syndicate commitment to a term loan and \$50.0 million of the total Bank Syndicate commitment to a revolving facility. See Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources for additional details about the Amended Credit Agreement.

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The foregoing description of the Amended Credit Agreement, does not purport to be complete and is subject to and qualified in its entirety by reference to the full text of the Amended and Credit Agreement which will be filed as a exhibit to the Company's next Periodic Report of Form 10-Q.

### ***Term Loan Agreement /Amended Term Loan Agreement***

We are a party to a \$25,000,000 three-year term loan agreement with TD Bank (the Term Loan ) which as of December 31, 2011 was scheduled to expire in September 2012. On March 9, 2012, we entered into an agreement with TD Bank amending significant terms of the Term Loan and extending the maturity date by approximately six months to March 2013 (the Amended Term Loan Agreement ). See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for additional details about the Amended Term Loan Agreement. The foregoing description of the Amended Term Loan Agreement, does not purport to be complete and is subject to and qualified in its entirety by reference to the full text of the Amended Term Loan Agreement which will be filed as a exhibit to the Company's next Periodic Report of Form 10-Q.

**Table of Contents****PART III****Item 10. Directors, Executive Officers and Corporate Governance**

Information with respect to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to information under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement. Information with respect to directors, the audit committee and the audit committee financial expert, and procedures by which shareholders may recommend to nominees to the board of directors in response to this item is incorporated herein by reference to information under the headings "Election of Directors" and "Directors Meetings, Committees and Executive Officers" in the Proxy Statement. The following table lists our executive officers, their respective ages, and the offices and positions held.

| NAME                | AGE | POSITION                                              | OFFICER SINCE |
|---------------------|-----|-------------------------------------------------------|---------------|
| David B. Driscoll   | 57  | President, Chief Executive Officer and Director       | 2010          |
| Leo Liebowitz       | 84  | Director and Chairman of the Board                    | 1971          |
| Joshua Dicker       | 51  | Vice President, General Counsel and Secretary         | 2008          |
| Kevin C. Shea       | 52  | Executive Vice President                              | 2001          |
| Thomas J. Stirnweis | 53  | Vice President, Treasurer and Chief Financial Officer | 2001          |

Mr. Driscoll was appointed to the position of President of the Company, effective in April 2010. In addition, Mr. Driscoll was appointed as the Company's Chief Executive Officer, effective May 2010. Mr. Driscoll is also a Director of the Company. Mr. Driscoll was a Managing Director at Morgan Joseph and Co. Inc. where he was a founding shareholder. Prior to his work at Morgan Joseph, Mr. Driscoll was a Managing Director for ING Barings, where he was Global Coordinator of the real estate practice and prior to ING Barings, Mr. Driscoll was the founder of the real estate group at Smith Barney, which he ran for more than a decade.

Mr. Liebowitz co-founded the Company in 1955 and served as Chief Executive Officer from 1985 until May 2010. He was the President of the Company from May 1971 to May 2004. Mr. Liebowitz served as Chairman, Chief Executive Officer and a director of Marketing from October 1996 until December 2000. He is also a director of the Regional Banking Advisory Board of J.P. Morgan Chase & Co. Mr. Liebowitz is also Chairman of the Company's Board of Directors and will retain an active role in the Company through May 2013 at which time he intends to retire.

Mr. Dicker has served as Vice President, General Counsel and Secretary since February 2009. He was General Counsel and Secretary since joining the Company in February 2008. Prior to joining Getty, he was a partner at the law firm Arent Fox, LLP, resident in its New York City office, specializing in corporate and transactional matters.

Mr. Shea has been with the Company since 1984 and has served as Executive Vice President since May 2004. He was Vice President since January 2001 and Director of National Real Estate Development prior thereto.

Mr. Stirnweis has been with the Company or Getty Petroleum Marketing Inc. since 1988 and has served as Vice President, Treasurer and Chief Financial Officer of the Company since May 2003. He joined the Company in January 2001 as Corporate Controller and Treasurer. Prior to joining the Company, Mr. Stirnweis was Manager of Financial Reporting and Analysis of Marketing.

There are no family relationships between any of the Company's directors or executive officers.

The Getty Realty Corp. Business Conduct Guidelines ( "Code of Ethics" ), which applies to all employees, including our chief executive officer and chief financial officer, is available on our website at [www.gettyrealty.com](http://www.gettyrealty.com).

**Item 11. Executive Compensation**

Information in response to this item is incorporated herein by reference to information under the heading "Executive Compensation" in the Proxy Statement.

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### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information in response to this item is incorporated herein by reference to information under the heading Beneficial Ownership of Capital Stock and Executive Compensation Compensation Discussion and Analysis Equity Compensation Equity Compensation Plan Information in the Proxy Statement.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

There were no such relationships or transactions to report for the year ended December 31, 2011.

Information with respect to director independence is incorporated herein by reference to information under the heading Directors Meetings, Committees and Executive Officers - Independence of Directors in the Proxy Statement.

### **Item 14. Principal Accountant Fees and Services**

Information in response to this item is incorporated herein by reference to information under the heading Ratification of Appointment of Independent Registered Public Accounting Firm in the Proxy Statement.

## **PART IV**

### **Item 15. Exhibits and Financial Statement Schedules**

#### **(a) (1) Financial Statements**

Information in response to this Item is included in Item 8. Financial Statements and Supplementary Data .

#### **(a) (2) Financial Statement Schedules**

### **GETTY REALTY CORP.**

#### **INDEX TO FINANCIAL STATEMENT SCHEDULES**

#### **Item 15(a)(2)**

|                                                                                                                         | <b>PAGES</b> |
|-------------------------------------------------------------------------------------------------------------------------|--------------|
| <u>Report of Independent Registered Public Accounting Firm on Financial Statement Schedules</u>                         | 87           |
| <u>Schedule II Valuation and Qualifying Accounts and Reserves for the years ended December 31, 2011, 2010, and 2009</u> | 87           |
| <u>Schedule III Real Estate and Accumulated Depreciation and Amortization as of December 31, 2011</u>                   | 88           |
| <u>Schedule IV Mortgage Loans on Real Estate as of December 31, 2011</u>                                                | 103          |
| <b>(a) (3) Exhibits</b>                                                                                                 |              |

Information in response to this Item is incorporated herein by reference to the Exhibit Index on page 109 of this Annual Report on Form 10-K.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**  
**ON FINANCIAL STATEMENT SCHEDULES**

To the Board of Directors of Getty Realty Corp.:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated March 15, 2012 appearing in Item 8 of this Annual Report on Form 10-K also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

New York, New York

March 15, 2012

Schedule VALUATION and QUALIFYING ACCOUNTS and RESERVES

**GETTY REALTY CORP. and SUBSIDIARIES**

**SCHEDULE II VALUATION and QUALIFYING ACCOUNTS and RESERVES**

**for the years ended December 31, 2011, 2010, and 2009**

(in thousands)

|                                                 | BALANCE AT<br>BEGINNING<br>OF YEAR | ADDITIONS | DEDUCTIONS | BALANCE<br>AT END<br>OF YEAR |
|-------------------------------------------------|------------------------------------|-----------|------------|------------------------------|
| December 31, 2011:                              |                                    |           |            |                              |
| Allowance for deferred rent receivable          | \$ 8,170                           | \$ 17,460 | \$         | \$ 25,630                    |
| Allowance for mortgages and accounts receivable | \$ 361                             | \$ 9,121  | \$ 2       | \$ 9,480                     |
| Allowance for deposits held in escrow           | \$ 377                             | \$        | \$         | \$ 377                       |
| December 31, 2010:                              |                                    |           |            |                              |
| Allowance for deferred rent receivable          | \$ 9,389                           | \$        | \$ 1,219   | \$ 8,170                     |
| Allowance for mortgages and accounts receivable | \$ 135                             | \$ 226    | \$         | \$ 361                       |
| Allowance for deposits held in escrow           | \$ 377                             | \$        | \$         | \$ 377                       |
| December 31, 2009:                              |                                    |           |            |                              |
| Allowance for deferred rent receivable          | \$ 10,029                          | \$        | \$ 640     | \$ 9,389                     |
| Allowance for mortgages and accounts receivable | \$ 100                             | \$ 120    | \$ 85      | \$ 135                       |
| Allowance for deposits held in escrow           | \$ 377                             | \$        | \$         | \$ 377                       |

**Table of Contents****REAL ESTATE AND ACCUMULATED DEPRECIATION AND AMORTIZATION****GETTY REALTY CORP. and SUBSIDIARIES****SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION AND AMORTIZATION****As of December 31, 2011****(in thousands)**

The summarized changes in real estate assets and accumulated depreciation are as follows:

|                                            | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|--------------------------------------------|-------------|-------------|-------------|
| Investment in real estate:                 |             |             |             |
| Balance at beginning of year               | \$ 504,587  | \$ 503,874  | \$ 473,567  |
| Acquisitions and capital expenditures      | 151,090     | 3,664       | 36,246      |
| Impairment                                 | (35,246)    |             | (1,135)     |
| Sales and condemnations                    | (3,219)     | (1,819)     | (3,298)     |
| Lease expirations                          | (1,358)     | (1,132)     | (1,506)     |
| Balance at end of year                     | \$ 615,854  | \$ 504,587  | \$ 503,874  |
| Accumulated depreciation and amortization: |             |             |             |
| Balance at beginning of year               | \$ 144,217  | \$ 136,669  | \$ 129,322  |
| Depreciation and amortization expense      | 10,080      | 9,346       | 10,679      |
| Impairment                                 | (15,020)    |             |             |
| Sales and condemnations                    | (802)       | (666)       | (1,826)     |
| Lease expirations                          | (1,358)     | (1,132)     | (1,506)     |
| Balance at end of year                     | \$ 137,117  | \$ 144,217  | \$ 136,669  |

We are not aware of any material liens or encumbrances on any of our properties as of December 31, 2011.

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|                      | Initial                                                               | Gross Amount at Which Carried                                 |        |                                 |        |                             | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|----------------------|-----------------------------------------------------------------------|---------------------------------------------------------------|--------|---------------------------------|--------|-----------------------------|------------------------------------------------------------------|
|                      | Cost                                                                  | at Close of Period                                            |        |                                 |        |                             |                                                                  |
|                      | of Leasehold<br>or Acquisition<br>Investment<br><br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Land   | Building<br>and<br>Improvements | Total  | Accumulated<br>Depreciation |                                                                  |
| BROOKLYN, NY         | \$ 282                                                                | \$ 403                                                        | \$ 176 | \$ 509                          | \$ 685 | \$ 390                      | 1967                                                             |
| JAMAICA, NY          | 12                                                                    | 317                                                           | 12     | 317                             | 329    | 252                         | 1970                                                             |
| REGO PARK, NY        | 34                                                                    | 588                                                           | 23     | 599                             | 622    | 275                         | 1974                                                             |
| BRONX, NY            | 60                                                                    | 377                                                           | 61     | 376                             | 437    | 319                         | 1965                                                             |
| CORONA, NY           | 114                                                                   | 322                                                           | 113    | 323                             | 436    | 260                         | 1965                                                             |
| OCEANSIDE, NY        | 40                                                                    | 612                                                           | 40     | 612                             | 652    | 151                         | 1970                                                             |
| BRENTWOOD, NY        | 253                                                                   | 104                                                           | 125    | 232                             | 357    | 212                         | 1968                                                             |
| BAY SHORE, NY        | 48                                                                    | 320                                                           |        | 368                             | 368    | 338                         | 1969                                                             |
| EAST ISLIP, NY       | 89                                                                    | 401                                                           | 87     | 403                             | 490    | 58                          | 1972                                                             |
| WHITE PLAINS, NY     |                                                                       | 570                                                           | 303    | 267                             | 570    | 143                         | 1972                                                             |
| PELHAM MANOR, NY     | 127                                                                   | 134                                                           | 76     | 186                             | 262    | 138                         | 1972                                                             |
| BRONX, NY            |                                                                       | 316                                                           |        | 316                             | 316    | 294                         | 1972                                                             |
| ELMSFORD, NY         |                                                                       | 285                                                           |        | 285                             | 285    | 94                          | 1971                                                             |
| MAMARONECK, NY       |                                                                       | 253                                                           |        | 253                             | 253    | 46                          | 1971                                                             |
| BROOKLYN, NY         |                                                                       | 408                                                           |        | 408                             | 408    | 367                         | 1970                                                             |
| POUGHKEEPSIE, NY     | 33                                                                    | 210                                                           | 36     | 207                             | 243    | 165                         | 1971                                                             |
| WAPPINGERS FALLS, NY | 114                                                                   | 187                                                           | 112    | 189                             | 301    | 160                         | 1971                                                             |
| STONY POINT, NY      | 59                                                                    | 203                                                           | 56     | 207                             | 263    | 207                         | 1971                                                             |
| LAGRANGEVILLE, NY    | 129                                                                   | 131                                                           | 65     | 195                             | 260    | 166                         | 1972                                                             |
| BRONX, NY            | 128                                                                   | 263                                                           | 101    | 291                             | 392    | 229                         | 1972                                                             |
| STATEN ISLAND, NY    | 41                                                                    | 278                                                           | 26     | 292                             | 318    | 239                         | 1973                                                             |
| BRONX, NY            | 141                                                                   | 166                                                           | 87     | 221                             | 308    | 195                         | 1972                                                             |
| NEW YORK, NY         | 126                                                                   | 198                                                           | 78     | 245                             | 323    | 216                         | 1972                                                             |
| BROOKLYN, NY         | 100                                                                   | 297                                                           | 67     | 330                             | 397    | 271                         | 1972                                                             |
| BROOKLYN, NY         | 136                                                                   | 115                                                           | 100    | 151                             | 251    | 117                         | 1972                                                             |
| BROOKLYN, NY         | 148                                                                   | 432                                                           | 104    | 476                             | 580    | 259                         | 1972                                                             |
| STATEN ISLAND, NY    | 101                                                                   | 393                                                           | 76     | 419                             | 495    | 345                         | 1972                                                             |
| BRONX, NY            | 544                                                                   | 964                                                           | 474    | 1,034                           | 1,508  | 765                         | 1970                                                             |
| BRONX, NY            | 90                                                                    | 208                                                           | 40     | 258                             | 298    | 219                         | 1976                                                             |
| BRONX, NY            | 45                                                                    | 220                                                           | 10     | 255                             | 265    | 222                         | 1976                                                             |
| BRONX, NY            | 128                                                                   | 337                                                           | 84     | 382                             | 466    | 316                         | 1972                                                             |
| BRONX, NY            | 130                                                                   | 211                                                           | 90     | 251                             | 341    | 224                         | 1972                                                             |
| BRONX, NY            | 118                                                                   | 313                                                           | 73     | 358                             | 431    | 319                         | 1972                                                             |
| BRONX, NY            | 70                                                                    | 364                                                           | 30     | 404                             | 434    | 320                         | 1972                                                             |
| BRONX, NY            | 78                                                                    | 472                                                           | 66     | 484                             | 550    | 421                         | 1972                                                             |
| BRONX, NY            | 69                                                                    | 323                                                           | 34     | 358                             | 392    | 305                         | 1972                                                             |
| YONKERS, NY          | 291                                                                   | 194                                                           | 216    | 269                             | 485    | 242                         | 1972                                                             |
| SLEEPY HOLLOW, NY    | 281                                                                   | 232                                                           | 130    | 383                             | 513    | 253                         | 1969                                                             |
| BREWSTER, NY         | 118                                                                   | 120                                                           | 72     | 165                             | 237    | 123                         | 1972                                                             |
| FLUSHING, NY         | 118                                                                   | 302                                                           | 78     | 342                             | 420    | 279                         | 1973                                                             |
| STATEN ISLAND, NY    | 174                                                                   | 156                                                           | 113    | 217                             | 330    | 189                         | 1976                                                             |
| BRIARCLIFF MANOR, NY | 652                                                                   | 510                                                           | 502    | 661                             | 1,163  | 258                         | 1976                                                             |
| BRONX, NY            | 89                                                                    | 218                                                           | 63     | 243                             | 306    | 219                         | 1976                                                             |
| NEW YORK, NY         | 106                                                                   | 127                                                           | 79     | 154                             | 233    | 130                         | 1976                                                             |
| NEW YORK, NY         | 146                                                                   | 428                                                           | 43     | 531                             | 574    | 452                         | 1976                                                             |
| GLENDALE, NY         | 124                                                                   | 330                                                           | 86     | 368                             | 454    | 304                         | 1976                                                             |
| OZONE PARK, NY       | 57                                                                    | 374                                                           | 45     | 386                             | 431    | 322                         | 1976                                                             |
| LONG ISLAND CITY, NY | 107                                                                   | 194                                                           | 73     | 227                             | 300    | 186                         | 1976                                                             |
| RIDGE, NY            | 277                                                                   | 108                                                           | 200    | 185                             | 385    | 144                         | 1977                                                             |
| NEW CITY, NY         | 181                                                                   | 131                                                           | 109    | 203                             | 312    | 173                         | 1978                                                             |
| W. HAVERSTRAW, NY    | 194                                                                   | 68                                                            | 140    | 123                             | 263    | 92                          | 1978                                                             |

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|                 |     |     |     |     |     |     |      |
|-----------------|-----|-----|-----|-----|-----|-----|------|
| BROOKLYN, NY    | 75  | 272 | 45  | 302 | 347 | 248 | 1978 |
| RONKONKOMA, NY  | 76  | 208 | 46  | 239 | 285 | 238 | 1978 |
| STONY BROOK, NY | 176 | 76  | 105 | 147 | 252 | 116 | 1978 |

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|                      | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|----------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                      |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| MILLER PLACE, NY     | 110                                                                               | 132                                                           | 66                                                  | 176                             | 242   | 147                         | 1978                                                             |
| LAKE RONKONKOMA, NY  | 87                                                                                | 157                                                           | 51                                                  | 193                             | 244   | 192                         | 1978                                                             |
| E. PATCHOGUE, NY     | 57                                                                                | 215                                                           | 34                                                  | 238                             | 272   | 233                         | 1978                                                             |
| AMITYVILLE, NY       | 70                                                                                | 178                                                           | 42                                                  | 206                             | 248   | 168                         | 1978                                                             |
| BETHPAGE, NY         | 211                                                                               | 75                                                            | 126                                                 | 160                             | 286   | 124                         | 1978                                                             |
| BALDWIN, NY          | 102                                                                               | 269                                                           | 62                                                  | 309                             | 371   | 131                         | 1978                                                             |
| ELMONT, NY           | 389                                                                               | 143                                                           | 231                                                 | 301                             | 532   | 250                         | 1978                                                             |
| NORTH BABYLON, NY    | 92                                                                                | 148                                                           | 59                                                  | 181                             | 240   | 150                         | 1978                                                             |
| CENTRAL ISLIP, NY    | 103                                                                               | 165                                                           | 61                                                  | 207                             | 268   | 193                         | 1978                                                             |
| STATEN ISLAND, NY    |                                                                                   | 244                                                           |                                                     | 244                             | 244   | 223                         | 1981                                                             |
| BROOKLYN, NY         | 116                                                                               | 253                                                           | 75                                                  | 295                             | 370   | 270                         | 1980                                                             |
| LONG ISLAND CITY, NY | 191                                                                               | 412                                                           | 117                                                 | 487                             | 604   | 396                         | 1981                                                             |
| BAY SHORE, NY        | 156                                                                               | 147                                                           | 86                                                  | 217                             | 303   | 194                         | 1981                                                             |
| CROMWELL, CT         | 70                                                                                | 183                                                           | 24                                                  | 229                             | 253   | 229                         | 1982                                                             |
| EAST HARTFORD, CT    | 208                                                                               | 117                                                           | 84                                                  | 241                             | 325   | 185                         | 1982                                                             |
| FRANKLIN, CT         | 51                                                                                | 199                                                           | 20                                                  | 230                             | 250   | 199                         | 1982                                                             |
| MANCHESTER, CT       | 66                                                                                | 184                                                           | 65                                                  | 185                             | 250   | 158                         | 1982                                                             |
| MERIDEN, CT          | 208                                                                               | 72                                                            | 84                                                  | 196                             | 280   | 164                         | 1982                                                             |
| NEW MILFORD, CT      | 114                                                                               | 121                                                           |                                                     | 235                             | 235   | 235                         | 1982                                                             |
| NORWALK, CT          | 257                                                                               | 157                                                           | 104                                                 | 310                             | 414   | 282                         | 1982                                                             |
| SOUTHINGTON, CT      | 116                                                                               | 223                                                           | 71                                                  | 268                             | 339   | 204                         | 1982                                                             |
| TERRYVILLE, CT       | 182                                                                               | 128                                                           | 74                                                  | 236                             | 310   | 207                         | 1982                                                             |
| TOLLAND, CT          | 108                                                                               | 133                                                           | 44                                                  | 197                             | 241   | 164                         | 1982                                                             |
| WEST HAVEN, CT       | 185                                                                               | 80                                                            | 74                                                  | 191                             | 265   | 160                         | 1982                                                             |
| GRANBY, MA           | 59                                                                                | 435                                                           | 24                                                  | 469                             | 493   | 242                         | 1982                                                             |
| PITTSFIELD, MA       | 123                                                                               | 152                                                           | 50                                                  | 225                             | 275   | 192                         | 1982                                                             |
| SOUTH HADLEY, MA     | 232                                                                               | 84                                                            | 90                                                  | 227                             | 317   | 195                         | 1982                                                             |
| SPRINGFIELD, MA      | 139                                                                               | 261                                                           | 50                                                  | 350                             | 400   | 287                         | 1983                                                             |
| SPRINGFIELD, MA      |                                                                                   | 261                                                           |                                                     | 261                             | 261   | 214                         | 1984                                                             |
| WESTFIELD, MA        | 123                                                                               | 143                                                           | 50                                                  | 217                             | 267   | 169                         | 1982                                                             |
| OSSINING, NY         | 141                                                                               | 147                                                           | 98                                                  | 190                             | 288   | 148                         | 1982                                                             |
| FREEHOLD, NJ         | 494                                                                               | 111                                                           | 403                                                 | 202                             | 605   | 105                         | 1978                                                             |
| NORTH PLAINFIELD, NJ | 227                                                                               | 349                                                           | 175                                                 | 401                             | 576   | 291                         | 1978                                                             |
| SOUTH AMBOY, NJ      | 300                                                                               | 519                                                           | 179                                                 | 640                             | 819   | 218                         | 1978                                                             |
| GLEN HEAD, NY        | 234                                                                               | 229                                                           | 103                                                 | 360                             | 463   | 325                         | 1982                                                             |
| NEW ROCHELLE, NY     | 189                                                                               | 64                                                            | 104                                                 | 149                             | 253   | 120                         | 1982                                                             |
| ELMONT, NY           | 108                                                                               | 128                                                           | 64                                                  | 172                             | 236   | 109                         | 1982                                                             |
| NORTH BRANFORD, CT   | 130                                                                               | 219                                                           | 83                                                  | 266                             | 349   | 72                          | 1982                                                             |
| MERIDEN, CT          | 126                                                                               | 133                                                           | 72                                                  | 187                             | 259   | 161                         | 1982                                                             |
| FRANKLIN SQUARE, NY  | 153                                                                               | 164                                                           | 137                                                 | 179                             | 316   | 108                         | 1978                                                             |
| BROOKLYN, NY         | 277                                                                               | 398                                                           | 168                                                 | 506                             | 674   | 416                         | 1978                                                             |
| NEW HAVEN, CT        | 1,413                                                                             | 79                                                            | 898                                                 | 594                             | 1,492 | 344                         | 1985                                                             |
| BRISTOL, CT          | 360                                                                               |                                                               |                                                     | 360                             | 360   | 258                         | 2004                                                             |
| BRISTOL, CT          | 1,594                                                                             |                                                               | 1,036                                               | 558                             | 1,594 | 160                         | 2004                                                             |
| BRISTOL, CT          | 254                                                                               |                                                               | 150                                                 | 104                             | 254   | 30                          | 2004                                                             |
| BRISTOL, CT          | 365                                                                               |                                                               | 237                                                 | 128                             | 365   | 37                          | 2004                                                             |
| COBALT, CT           | 396                                                                               |                                                               |                                                     | 396                             | 396   | 284                         | 2004                                                             |
| DURHAM, CT           | 994                                                                               |                                                               |                                                     | 994                             | 994   | 712                         | 2004                                                             |
| ELLINGTON, CT        | 1,295                                                                             |                                                               | 842                                                 | 453                             | 1,295 | 130                         | 2004                                                             |
| ENFIELD, CT          | 260                                                                               |                                                               |                                                     | 260                             | 260   | 219                         | 2004                                                             |
| FARMINGTON, CT       | 466                                                                               |                                                               | 303                                                 | 163                             | 466   | 47                          | 2004                                                             |
| HARTFORD, CT         | 665                                                                               |                                                               | 432                                                 | 233                             | 665   | 67                          | 2004                                                             |

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|                   |       |       |     |       |      |      |
|-------------------|-------|-------|-----|-------|------|------|
| HARTFORD, CT      | 571   | 371   | 200 | 571   | 57   | 2004 |
| MERIDEN, CT       | 1,532 | 989   | 543 | 1,532 | 160  | 2004 |
| MIDDLETOWN, CT    | 1,039 | 675   | 364 | 1,039 | 104  | 2004 |
| NEW BRITAIN, CT   | 390   | 254   | 137 | 391   | 39   | 2004 |
| NEWINGTON, CT     | 954   | 620   | 334 | 954   | 96   | 2004 |
| NORTH HAVEN, CT   | 405   | 252   | 153 | 405   | 56   | 2004 |
| PLAINVILLE, CT    | 545   | 354   | 191 | 545   | 55   | 2004 |
| PLYMOUTH, CT      | 931   | 605   | 326 | 931   | 93   | 2004 |
| SOUTH WINDHAM, CT | 644   | 1,398 | 598 | 1,444 | 2042 | 2004 |

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|                   | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|-------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                   |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| SOUTH WINDSOR, CT | 545                                                                               |                                                               | 337                                                 | 208                             | 545   | 79                          | 2004                                                             |
| SUFFIELD, CT      | 237                                                                               | 603                                                           | 201                                                 | 639                             | 840   | 323                         | 2004                                                             |
| VERNON, CT        | 1,434                                                                             |                                                               |                                                     | 1,434                           | 1,434 | 1,028                       | 2004                                                             |
| WALLINGFORD, CT   | 551                                                                               |                                                               | 335                                                 | 216                             | 551   | 77                          | 2004                                                             |
| WATERBURY, CT     | 804                                                                               |                                                               | 516                                                 | 288                             | 804   | 89                          | 2004                                                             |
| WATERBURY, CT     | 515                                                                               |                                                               | 335                                                 | 180                             | 515   | 52                          | 2004                                                             |
| WATERBURY, CT     | 468                                                                               |                                                               | 305                                                 | 164                             | 469   | 47                          | 2004                                                             |
| WATERTOWN, CT     | 925                                                                               |                                                               | 567                                                 | 358                             | 925   | 140                         | 2004                                                             |
| WETHERSFIELD, CT  | 447                                                                               |                                                               |                                                     | 447                             | 447   | 447                         | 2004                                                             |
| WEST HAVEN, CT    | 1,215                                                                             |                                                               | 790                                                 | 425                             | 1,215 | 122                         | 2004                                                             |
| WESTBROOK, CT     | 345                                                                               |                                                               |                                                     | 345                             | 345   | 247                         | 2004                                                             |
| WILLIMANTIC, CT   | 717                                                                               |                                                               | 466                                                 | 251                             | 717   | 72                          | 2004                                                             |
| WINDSOR, CT       | 372                                                                               |                                                               |                                                     | 372                             | 372   | 349                         | 2004                                                             |
| WINDSOR LOCKS, CT | 1,433                                                                             |                                                               |                                                     | 1,433                           | 1,433 | 1,027                       | 2004                                                             |
| WINDSOR LOCKS, CT | 361                                                                               | 670                                                           |                                                     | 1,030                           | 1,030 | 103                         | 2004                                                             |
| BLOOMFIELD, CT    | 141                                                                               | 90                                                            | 90                                                  | 141                             | 231   | 107                         | 1986                                                             |
| SIMSBURY, CT      | 318                                                                               | 165                                                           | 207                                                 | 277                             | 484   | 206                         | 1985                                                             |
| RIDGEFIELD, CT    | 535                                                                               | 64                                                            | 348                                                 | 251                             | 599   | 138                         | 1985                                                             |
| BRIDGEPORT, CT    | 350                                                                               | 87                                                            | 228                                                 | 209                             | 437   | 124                         | 1985                                                             |
| NORWALK, CT       | 511                                                                               | 232                                                           | 332                                                 | 411                             | 743   | 294                         | 1985                                                             |
| BRIDGEPORT, CT    | 313                                                                               | 51                                                            | 204                                                 | 160                             | 364   | 81                          | 1985                                                             |
| STAMFORD, CT      | 507                                                                               | 36                                                            | 330                                                 | 213                             | 543   | 115                         | 1985                                                             |
| BRIDGEPORT, CT    | 245                                                                               | 45                                                            | 160                                                 | 130                             | 290   | 68                          | 1985                                                             |
| BRIDGEPORT, CT    | 313                                                                               | 55                                                            | 204                                                 | 164                             | 368   | 85                          | 1985                                                             |
| BRIDGEPORT, CT    | 378                                                                               | 119                                                           | 246                                                 | 250                             | 496   | 157                         | 1985                                                             |
| BRIDGEPORT, CT    | 527                                                                               | 64                                                            | 343                                                 | 248                             | 591   | 166                         | 1985                                                             |
| BRIDGEPORT, CT    | 338                                                                               | 46                                                            | 220                                                 | 165                             | 385   | 93                          | 1985                                                             |
| NEW HAVEN, CT     | 538                                                                               | 209                                                           | 351                                                 | 397                             | 748   | 281                         | 1985                                                             |
| DARIEN, CT        | 667                                                                               | 91                                                            | 434                                                 | 324                             | 758   | 156                         | 1985                                                             |
| WESTPORT, CT      | 603                                                                               | 50                                                            | 393                                                 | 261                             | 654   | 138                         | 1985                                                             |
| STAMFORD, CT      | 603                                                                               | 145                                                           | 393                                                 | 356                             | 749   | 230                         | 1985                                                             |
| STAMFORD, CT      | 507                                                                               | 121                                                           | 330                                                 | 297                             | 627   | 140                         | 1985                                                             |
| STRATFORD, CT     | 301                                                                               | 71                                                            | 196                                                 | 176                             | 372   | 129                         | 1985                                                             |
| STRATFORD, CT     | 285                                                                               | 34                                                            | 186                                                 | 133                             | 319   | 70                          | 1985                                                             |
| CHESHIRE, CT      | 490                                                                               | 74                                                            | 319                                                 | 245                             | 564   | 115                         | 1985                                                             |
| MILFORD, CT       | 294                                                                               | 66                                                            | 191                                                 | 168                             | 359   | 100                         | 1985                                                             |
| FAIRFIELD, CT     | 430                                                                               | 33                                                            | 280                                                 | 183                             | 463   | 97                          | 1985                                                             |
| NORWALK, CT       |                                                                                   | 673                                                           | 402                                                 | 271                             | 673   | 60                          | 1988                                                             |
| HARTFORD, CT      | 233                                                                               | 33                                                            | 152                                                 | 114                             | 266   | 78                          | 1985                                                             |
| NEW HAVEN, CT     | 217                                                                               | 55                                                            | 141                                                 | 131                             | 272   | 66                          | 1985                                                             |
| RIDGEFIELD, CT    | 402                                                                               | 78                                                            | 167                                                 | 312                             | 479   | 280                         | 1985                                                             |
| BRIDGEPORT, CT    | 346                                                                               | 37                                                            | 230                                                 | 153                             | 383   | 133                         | 1985                                                             |
| WILTON, CT        | 519                                                                               | 100                                                           | 338                                                 | 281                             | 619   | 172                         | 1985                                                             |
| MIDDLETOWN, CT    | 133                                                                               | 259                                                           | 131                                                 | 261                             | 392   | 90                          | 1987                                                             |
| EAST HARTFORD, CT | 347                                                                               | 43                                                            | 301                                                 | 88                              | 389   | 29                          | 1991                                                             |
| WATERTOWN, CT     | 352                                                                               | 94                                                            | 204                                                 | 242                             | 446   | 134                         | 1992                                                             |
| AVON, CT          | 731                                                                               | 54                                                            | 403                                                 | 382                             | 785   | 142                         | 2002                                                             |
| WILMINGTON, DE    | 309                                                                               | 68                                                            | 201                                                 | 176                             | 377   | 128                         | 1985                                                             |
| ST. GEORGES, DE   | 442                                                                               | (205)                                                         | 197                                                 | 40                              | 237   |                             | 1985                                                             |
| WILMINGTON, DE    | 313                                                                               | 104                                                           | 204                                                 | 213                             | 417   | 161                         | 1985                                                             |
| WILMINGTON, DE    | 382                                                                               | 199                                                           | 249                                                 | 332                             | 581   | 232                         | 1985                                                             |
| CLAYMONT, DE      | 237                                                                               | 73                                                            | 152                                                 | 158                             | 310   | 82                          | 1985                                                             |

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|                |     |      |     |     |     |     |      |
|----------------|-----|------|-----|-----|-----|-----|------|
| NEWARK, DE     | 406 | (73) | 239 | 94  | 333 |     | 1985 |
| WILMINGTON, DE | 446 | 75   | 290 | 231 | 521 | 121 | 1985 |
| WILMINGTON, DE | 327 | (89) | 167 | 70  | 237 |     | 1985 |
| LEWISTON, ME   | 342 | 119  | 222 | 239 | 461 | 156 | 1985 |
| PORTLAND, ME   | 325 | (64) | 155 | 106 | 261 |     | 1985 |
| BIDDEFORD, ME  | 618 | 33   | 235 | 416 | 651 | 391 | 1985 |
| SACO, ME       | 204 | 72   | 151 | 125 | 276 | 91  | 1986 |
| SANFORD, ME    | 266 | 9    | 201 | 73  | 274 | 73  | 1986 |
| WESTBROOK, ME  | 93  | 216  | 50  | 259 | 309 | 222 | 1986 |

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|                      | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|----------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                      |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| SOUTH PORTLAND, ME   | 181                                                                               | 127                                                           | 111                                                 | 197                             | 308   | 156                         | 1986                                                             |
| LEWISTON, ME         | 180                                                                               | 96                                                            | 101                                                 | 175                             | 276   | 141                         | 1986                                                             |
| AUGUSTA, ME          | 449                                                                               | (93)                                                          | 202                                                 | 154                             | 356   |                             | 1991                                                             |
| BELTSVILLE, MD       | 1,130                                                                             |                                                               | 1,130                                               |                                 | 1,130 |                             | 2009                                                             |
| BELTSVILLE, MD       | 731                                                                               |                                                               | 731                                                 |                                 | 731   |                             | 2009                                                             |
| BELTSVILLE, MD       | 525                                                                               |                                                               | 525                                                 |                                 | 525   |                             | 2009                                                             |
| BELTSVILLE, MD       | 1,050                                                                             |                                                               | 1,050                                               |                                 | 1,050 |                             | 2009                                                             |
| BLADENSBURG, MD      | 571                                                                               |                                                               | 571                                                 |                                 | 571   |                             | 2009                                                             |
| BOWIE, MD            | 1,084                                                                             |                                                               | 1,084                                               |                                 | 1,084 |                             | 2009                                                             |
| CAPITOL HEIGHTS, MD  | 628                                                                               |                                                               | 628                                                 |                                 | 628   |                             | 2009                                                             |
| CLINTON, MD          | 651                                                                               |                                                               | 651                                                 |                                 | 651   |                             | 2009                                                             |
| COLLEGE PARK, MD     | 536                                                                               |                                                               | 536                                                 |                                 | 536   |                             | 2009                                                             |
| COLLEGE PARK, MD     | 445                                                                               |                                                               | 445                                                 |                                 | 445   |                             | 2009                                                             |
| DISTRICT HEIGHTS, MD | 479                                                                               |                                                               | 479                                                 |                                 | 479   |                             | 2009                                                             |
| DISTRICT HEIGHTS, MD | 388                                                                               |                                                               | 388                                                 |                                 | 388   |                             | 2009                                                             |
| FORESTVILLE, MD      | 1,039                                                                             |                                                               | 1,039                                               |                                 | 1,039 |                             | 2009                                                             |
| FORT WASHINGTON, MD  | 422                                                                               |                                                               | 422                                                 |                                 | 422   |                             | 2009                                                             |
| GREENBELT, MD        | 1,153                                                                             |                                                               | 1,153                                               |                                 | 1,153 |                             | 2009                                                             |
| HYATTSVILLE, MD      | 491                                                                               |                                                               | 491                                                 |                                 | 491   |                             | 2009                                                             |
| HYATTSVILLE, MD      | 594                                                                               |                                                               | 594                                                 |                                 | 594   |                             | 2009                                                             |
| LANDOVER, MD         | 753                                                                               |                                                               | 753                                                 |                                 | 753   |                             | 2009                                                             |
| LANDOVER, MD         | 662                                                                               |                                                               | 662                                                 |                                 | 662   |                             | 2009                                                             |
| LANDOVER HILLS, MD   | 1,358                                                                             |                                                               | 1,358                                               |                                 | 1,358 |                             | 2009                                                             |
| LANDOVER HILLS, MD   | 457                                                                               |                                                               | 457                                                 |                                 | 457   |                             | 2009                                                             |
| LANHAM, MD           | 822                                                                               |                                                               | 822                                                 |                                 | 822   |                             | 2009                                                             |
| LAUREL, MD           | 2,523                                                                             |                                                               | 2,523                                               |                                 | 2,523 |                             | 2009                                                             |
| LAUREL, MD           | 1,415                                                                             |                                                               | 1,415                                               |                                 | 1,415 |                             | 2009                                                             |
| LAUREL, MD           | 1,530                                                                             |                                                               | 1,530                                               |                                 | 1,530 |                             | 2009                                                             |
| LAUREL, MD           | 1,267                                                                             |                                                               | 1,267                                               |                                 | 1,267 |                             | 2009                                                             |
| LAUREL, MD           | 1,210                                                                             |                                                               | 1,210                                               |                                 | 1,210 |                             | 2009                                                             |
| LAUREL, MD           | 696                                                                               |                                                               | 696                                                 |                                 | 696   |                             | 2009                                                             |
| OXON HILL, MD        | 1,256                                                                             |                                                               | 1,256                                               |                                 | 1,256 |                             | 2009                                                             |
| RIVERDALE, MD        | 788                                                                               |                                                               | 788                                                 |                                 | 788   |                             | 2009                                                             |
| RIVERDALE, MD        | 582                                                                               |                                                               | 582                                                 |                                 | 582   |                             | 2009                                                             |
| SEAT PLEASANT, MD    | 468                                                                               |                                                               | 468                                                 |                                 | 468   |                             | 2009                                                             |
| SUITLAND, MD         | 377                                                                               |                                                               | 377                                                 |                                 | 377   |                             | 2009                                                             |
| SUITLAND, MD         | 673                                                                               |                                                               | 673                                                 |                                 | 673   |                             | 2009                                                             |
| TEMPLE HILLS, MD     | 331                                                                               |                                                               | 331                                                 |                                 | 331   |                             | 2009                                                             |
| UPPER MARLBORO, MD   | 845                                                                               |                                                               | 845                                                 |                                 | 845   |                             | 2009                                                             |
| ACCOKEEK, MD         | 692                                                                               |                                                               | 692                                                 |                                 | 692   |                             | 2010                                                             |
| BALTIMORE, MD        | 429                                                                               | 163                                                           | 309                                                 | 283                             | 592   | 228                         | 1985                                                             |
| RANDALLSTOWN, MD     | 591                                                                               | 34                                                            | 385                                                 | 240                             | 625   | 148                         | 1985                                                             |
| EMMITSBURG, MD       | 147                                                                               | 149                                                           | 102                                                 | 194                             | 296   | 119                         | 1986                                                             |
| AUBURN, MA           | 600                                                                               |                                                               | 600                                                 |                                 | 600   |                             | 2011                                                             |
| AUBURN, MA           | 625                                                                               |                                                               | 625                                                 |                                 | 625   |                             | 2011                                                             |
| AUBURN, MA           | 725                                                                               |                                                               | 725                                                 |                                 | 725   |                             | 2011                                                             |
| AUBURN, MA           | 800                                                                               |                                                               |                                                     | 800                             | 800   | 34                          | 2011                                                             |
| BEDFORD, MA          | 1,350                                                                             |                                                               | 1,350                                               |                                 | 1,350 |                             | 2011                                                             |
| BRADFORD, MA         | 650                                                                               |                                                               | 650                                                 |                                 | 650   |                             | 2011                                                             |
| BURLINGTON, MA       | 600                                                                               |                                                               | 600                                                 |                                 | 600   |                             | 2011                                                             |
| BURLINGTON, MA       | 1,250                                                                             |                                                               | 1,250                                               |                                 | 1,250 |                             | 2011                                                             |
| DANVERS, MA          | 400                                                                               |                                                               | 400                                                 |                                 | 400   |                             | 2011                                                             |

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|                 |     |     |     |      |
|-----------------|-----|-----|-----|------|
| DRACUT, MA      | 450 | 450 | 450 | 2011 |
| GARDNER, MA     | 550 | 550 | 550 | 2011 |
| LYNN, MA        | 850 | 850 | 850 | 2011 |
| LYNN, MA        | 400 | 400 | 400 | 2011 |
| MARLBOROUGH, MA | 550 | 550 | 550 | 2011 |
| MELROSE, MA     | 600 | 600 | 600 | 2011 |
| METHUEN, MA     | 650 | 650 | 650 | 2011 |
| PEABODY, MA     | 650 | 650 | 650 | 2011 |
| PEABODY, MA     | 550 | 550 | 550 | 2011 |

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|---------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                     |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| REVERE, MA          | 1,300                                                                             |                                                               | 1,300                                               |                                 | 1,300 |                             | 2011                                                             |
| SALEM, MA           | 600                                                                               |                                                               | 600                                                 |                                 | 600   |                             | 2011                                                             |
| SHREWSBURY, MA      | 450                                                                               |                                                               | 450                                                 |                                 | 450   |                             | 2011                                                             |
| SHREWSBURY, MA      | 400                                                                               |                                                               | 400                                                 |                                 | 400   |                             | 2011                                                             |
| TEWKSBURY, MA       | 1,200                                                                             |                                                               | 1,200                                               |                                 | 1,200 |                             | 2011                                                             |
| WAKEFIELD, MA       | 900                                                                               |                                                               | 900                                                 |                                 | 900   |                             | 2011                                                             |
| WESTBOROUGH, MA     | 450                                                                               |                                                               | 450                                                 |                                 | 450   |                             | 2011                                                             |
| WILMINGTON, MA      | 1,300                                                                             |                                                               | 1,300                                               |                                 | 1,300 |                             | 2011                                                             |
| WILMINGTON, MA      | 600                                                                               |                                                               | 600                                                 |                                 | 600   |                             | 2011                                                             |
| WORCESTER, MA       | 400                                                                               |                                                               | 400                                                 |                                 | 400   |                             | 2011                                                             |
| WORCESTER, MA       | 300                                                                               |                                                               | 300                                                 |                                 | 300   |                             | 2011                                                             |
| WORCESTER, MA       | 550                                                                               |                                                               | 550                                                 |                                 | 550   |                             | 2011                                                             |
| WORCESTER, MA       | 500                                                                               |                                                               | 500                                                 |                                 | 500   |                             | 2011                                                             |
| AGAWAM, MA          | 210                                                                               | 64                                                            | 136                                                 | 137                             | 273   | 105                         | 1985                                                             |
| WESTFIELD, MA       | 290                                                                               | 71                                                            | 188                                                 | 172                             | 360   | 95                          | 1985                                                             |
| WEST ROXBURY, MA    | 490                                                                               | 286                                                           | 319                                                 | 457                             | 776   | 119                         | 1985                                                             |
| MAYNARD, MA         | 735                                                                               | 52                                                            | 479                                                 | 308                             | 787   | 156                         | 1985                                                             |
| GARDNER, MA         | 1,008                                                                             | 102                                                           | 657                                                 | 454                             | 1,111 | 268                         | 1985                                                             |
| STOUGHTON, MA       | 775                                                                               | 76                                                            | 505                                                 | 347                             | 852   | 185                         | 1985                                                             |
| ARLINGTON, MA       | 518                                                                               | 51                                                            | 338                                                 | 232                             | 570   | 129                         | 1985                                                             |
| METHUEN, MA         | 380                                                                               | 91                                                            | 246                                                 | 225                             | 471   | 140                         | 1985                                                             |
| BELMONT, MA         | 301                                                                               | 60                                                            | 162                                                 | 199                             | 361   |                             | 1985                                                             |
| RANDOLPH, MA        | 574                                                                               | 66                                                            | 430                                                 | 209                             | 639   | 170                         | 1985                                                             |
| ROCKLAND, MA        | 438                                                                               | (129)                                                         | 228                                                 | 81                              | 309   |                             | 1985                                                             |
| WATERTOWN, MA       | 358                                                                               | 324                                                           | 321                                                 | 361                             | 682   | 261                         | 1985                                                             |
| READING, MA         | 170                                                                               | 67                                                            | 170                                                 | 67                              | 237   |                             | 1985                                                             |
| WEYMOUTH, MA        | 643                                                                               | 71                                                            | 419                                                 | 296                             | 715   | 211                         | 1985                                                             |
| DEDHAM, MA          | 226                                                                               | 61                                                            | 126                                                 | 161                             | 287   | 121                         | 1987                                                             |
| HINGHAM, MA         | 353                                                                               | 51                                                            | 243                                                 | 161                             | 404   | 133                         | 1989                                                             |
| ASHLAND, MA         | 607                                                                               | 58                                                            | 395                                                 | 270                             | 665   | 135                         | 1985                                                             |
| WOBURN, MA          | 508                                                                               | 322                                                           | 508                                                 | 322                             | 830   | 174                         | 1985                                                             |
| BELMONT, MA         | 390                                                                               | 56                                                            | 254                                                 | 192                             | 446   | 105                         | 1985                                                             |
| HYDE PARK, MA       | 499                                                                               | 71                                                            | 322                                                 | 248                             | 570   | 132                         | 1985                                                             |
| EVERETT, MA         | 270                                                                               | 233                                                           | 270                                                 | 233                             | 503   | 129                         | 1985                                                             |
| PITTSFIELD, MA      | 211                                                                               | 51                                                            | 113                                                 | 149                             | 262   | 149                         | 1985                                                             |
| NORTH ATTLEBORO, MA | 663                                                                               | 45                                                            | 432                                                 | 276                             | 708   | 145                         | 1985                                                             |
| WORCESTER, MA       | 498                                                                               | 100                                                           | 322                                                 | 275                             | 597   | 167                         | 1985                                                             |
| NEW BEDFORD, MA     | 522                                                                               | 42                                                            | 340                                                 | 224                             | 564   | 120                         | 1985                                                             |
| FALL RIVER, MA      | 343                                                                               | (82)                                                          | 239                                                 | 22                              | 261   |                             | 1985                                                             |
| WORCESTER, MA       | 386                                                                               | 74                                                            | 251                                                 | 208                             | 459   | 97                          | 1985                                                             |
| WEBSTER, MA         | 1,012                                                                             | 143                                                           | 659                                                 | 496                             | 1,155 | 264                         | 1985                                                             |
| CLINTON, MA         | 587                                                                               | 95                                                            | 382                                                 | 299                             | 681   | 167                         | 1985                                                             |
| FOXBOROUGH, MA      | 427                                                                               | 63                                                            | 325                                                 | 164                             | 489   | 134                         | 1990                                                             |
| CLINTON, MA         | 386                                                                               | 136                                                           | 251                                                 | 271                             | 522   | 171                         | 1985                                                             |
| HYANNIS, MA         | 651                                                                               | 67                                                            | 424                                                 | 294                             | 718   | 169                         | 1985                                                             |
| HOLYOKE, MA         | 232                                                                               | 38                                                            | 117                                                 | 153                             | 270   | 153                         | 1985                                                             |
| NEWTON, MA          | 691                                                                               | 84                                                            | 450                                                 | 325                             | 775   | 176                         | 1985                                                             |
| FALMOUTH, MA        | 519                                                                               | 73                                                            | 458                                                 | 134                             | 592   | 105                         | 1988                                                             |
| METHUEN, MA         | 490                                                                               | 45                                                            | 319                                                 | 216                             | 535   | 112                         | 1985                                                             |
| ROCKLAND, MA        | 579                                                                               | 210                                                           | 377                                                 | 412                             | 789   | 286                         | 1985                                                             |
| FAIRHAVEN, MA       | 546                                                                               | (190)                                                         | 268                                                 | 88                              | 356   |                             | 1985                                                             |
| BELLINGHAM, MA      | 734                                                                               | 159                                                           | 476                                                 | 417                             | 893   | 278                         | 1985                                                             |

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|                   |       |     |     |     |       |     |      |
|-------------------|-------|-----|-----|-----|-------|-----|------|
| NEW BEDFORD, MA   | 482   | 119 | 293 | 308 | 601   | 214 | 1985 |
| SEEKONK, MA       | 1,073 | 61  | 699 | 436 | 1,135 | 236 | 1985 |
| WALPOLE, MA       | 450   | 49  | 293 | 206 | 499   | 107 | 1985 |
| NORTH ANDOVER, MA | 394   | 245 | 256 | 383 | 639   | 272 | 1985 |
| LOWELL, MA        | 361   | 107 | 201 | 267 | 468   | 244 | 1985 |
| AUBURN, MA        | 175   | 61  | 125 | 111 | 236   | 81  | 1986 |
| METHUEN, MA       | 147   | 211 | 51  | 308 | 359   | 270 | 1986 |
| BILLERICA, MA     | 400   | 195 | 250 | 345 | 595   | 285 | 1986 |
| HAVERHILL, MA     | 400   | 54  | 225 | 229 | 454   | 192 | 1986 |

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|                    | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       |                             | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|--------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                    |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total | Accumulated<br>Depreciation |                                                                  |
| CHATHAM, MA        | 275                                                                               | 219                                                           | 175                                                 | 319                             | 494   | 271                         | 1986                                                             |
| HARWICH, MA        | 225                                                                               | 49                                                            | 150                                                 | 124                             | 274   | 87                          | 1986                                                             |
| LEOMINSTER, MA     | 185                                                                               | 101                                                           | 85                                                  | 201                             | 286   | 150                         | 1986                                                             |
| LOWELL, MA         | 375                                                                               | 198                                                           | 250                                                 | 323                             | 573   | 275                         | 1986                                                             |
| METHUEN, MA        | 300                                                                               | 81                                                            | 150                                                 | 231                             | 381   | 201                         | 1986                                                             |
| ORLEANS, MA        | 260                                                                               | 69                                                            | 185                                                 | 144                             | 329   | 112                         | 1986                                                             |
| PEABODY, MA        | 400                                                                               | 223                                                           | 275                                                 | 348                             | 623   | 312                         | 1986                                                             |
| QUINCY, MA         | 200                                                                               | 77                                                            | 125                                                 | 152                             | 277   | 112                         | 1986                                                             |
| REVERE, MA         | 250                                                                               | 194                                                           | 150                                                 | 294                             | 444   | 294                         | 1986                                                             |
| SALEM, MA          | 275                                                                               | 49                                                            | 175                                                 | 149                             | 324   | 126                         | 1986                                                             |
| TEWKSBURY, MA      | 125                                                                               | 122                                                           | 75                                                  | 172                             | 247   | 141                         | 1986                                                             |
| FALMOUTH, MA       | 150                                                                               | 348                                                           | 75                                                  | 423                             | 498   | 367                         | 1986                                                             |
| WESTFORD, MA       | 275                                                                               | 222                                                           | 175                                                 | 322                             | 497   | 271                         | 1986                                                             |
| WOBURN, MA         | 350                                                                               | 76                                                            | 200                                                 | 226                             | 426   | 196                         | 1986                                                             |
| YARMOUTHPORT, MA   | 300                                                                               | 51                                                            | 150                                                 | 201                             | 351   | 177                         | 1986                                                             |
| BRIDGEWATER, MA    | 190                                                                               | 65                                                            | 140                                                 | 116                             | 256   | 86                          | 1987                                                             |
| WORCESTER, MA      | 476                                                                               | 174                                                           | 309                                                 | 341                             | 650   | 341                         | 1991                                                             |
| AUBURN, MA         | 369                                                                               | 438                                                           | 240                                                 | 567                             | 807   | 75                          | 1991                                                             |
| BARRE, MA          | 536                                                                               | 185                                                           | 348                                                 | 373                             | 721   | 213                         | 1991                                                             |
| WORCESTER, MA      | 276                                                                               | 35                                                            | 179                                                 | 132                             | 311   | 45                          | 1992                                                             |
| BROCKTON, MA       | 276                                                                               | 195                                                           | 179                                                 | 291                             | 470   | 228                         | 1991                                                             |
| CLINTON, MA        | 178                                                                               | 60                                                            | 116                                                 | 122                             | 238   | 52                          | 1992                                                             |
| WORCESTER, MA      | 168                                                                               | 299                                                           | 168                                                 | 299                             | 467   | 201                         | 1991                                                             |
| DUDLEY, MA         | 303                                                                               | 179                                                           | 197                                                 | 285                             | 482   | 151                         | 1991                                                             |
| FITCHBURG, MA      | 247                                                                               | 40                                                            | 203                                                 | 84                              | 287   | 49                          | 1991                                                             |
| FRANKLIN, MA       |                                                                                   | 295                                                           | 165                                                 | 130                             | 295   | 49                          | 1988                                                             |
| WORCESTER, MA      | 343                                                                               | 47                                                            | 223                                                 | 167                             | 390   | 53                          | 1991                                                             |
| HYANNIS, MA        | 222                                                                               | 32                                                            | 145                                                 | 110                             | 255   | 34                          | 1991                                                             |
| LEOMINSTER, MA     | 196                                                                               | 200                                                           | 127                                                 | 268                             | 395   | 187                         | 1991                                                             |
| WORCESTER, MA      | 231                                                                               | 180                                                           | 150                                                 | 261                             | 411   | 173                         | 1991                                                             |
| NORTHBOROUGH, MA   | 405                                                                               | 50                                                            | 263                                                 | 192                             | 455   | 67                          | 1993                                                             |
| WEST BOYLSTON, MA  | 312                                                                               | 52                                                            | 203                                                 | 161                             | 364   | 67                          | 1991                                                             |
| WORCESTER, MA      | 187                                                                               | 57                                                            | 121                                                 | 122                             | 243   | 56                          | 1993                                                             |
| SOUTH YARMOUTH, MA | 276                                                                               | 73                                                            | 179                                                 | 170                             | 349   | 82                          | 1991                                                             |
| STERLING, MA       | 476                                                                               | 188                                                           | 309                                                 | 355                             | 664   | 207                         | 1991                                                             |
| SUTTON, MA         | 714                                                                               | 222                                                           | 464                                                 | 472                             | 936   | 260                         | 1993                                                             |
| WORCESTER, MA      | 276                                                                               | 173                                                           | 179                                                 | 269                             | 448   | 172                         | 1991                                                             |
| UPTON, MA          | 428                                                                               | 48                                                            | 279                                                 | 198                             | 477   | 77                          | 1991                                                             |
| WESTBOROUGH, MA    | 312                                                                               | 228                                                           | 203                                                 | 337                             | 540   | 228                         | 1991                                                             |
| HARWICHPORT, MA    | 383                                                                               | 202                                                           | 249                                                 | 336                             | 585   | 205                         | 1991                                                             |
| WORCESTER, MA      | 547                                                                               | 228                                                           | 356                                                 | 420                             | 776   | 255                         | 1991                                                             |
| WORCESTER, MA      | 979                                                                               | 214                                                           | 636                                                 | 556                             | 1,192 | 293                         | 1991                                                             |
| FITCHBURG, MA      | 390                                                                               | 238                                                           | 254                                                 | 375                             | 629   | 240                         | 1992                                                             |
| WORCESTER, MA      | 147                                                                               | 163                                                           | 95                                                  | 214                             | 309   | 146                         | 1991                                                             |
| LEICESTER, MA      | 267                                                                               | 220                                                           | 174                                                 | 313                             | 487   | 205                         | 1991                                                             |
| NORTH GRAFTON, MA  | 245                                                                               | 60                                                            | 159                                                 | 146                             | 305   | 65                          | 1991                                                             |
| SOUTHBRIDGE, MA    | 249                                                                               | 85                                                            | 162                                                 | 173                             | 335   | 92                          | 1993                                                             |
| OXFORD, MA         | 294                                                                               | 40                                                            | 191                                                 | 142                             | 333   | 45                          | 1993                                                             |
| WORCESTER, MA      | 285                                                                               | 69                                                            | 185                                                 | 169                             | 354   | 80                          | 1991                                                             |
| ATHOL, MA          | 165                                                                               | 69                                                            | 107                                                 | 126                             | 233   | 42                          | 1991                                                             |
| FITCHBURG, MA      | 142                                                                               | 218                                                           | 93                                                  | 268                             | 361   | 184                         | 1992                                                             |
| WORCESTER, MA      | 271                                                                               | 206                                                           | 176                                                 | 301                             | 477   | 200                         | 1991                                                             |

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|                |       |     |       |       |       |     |      |
|----------------|-------|-----|-------|-------|-------|-----|------|
| FRAMINGHAM, MA | 400   | 48  | 260   | 188   | 448   | 71  | 1991 |
| MILFORD, MA    |       | 285 |       | 285   | 285   | 263 | 1991 |
| JONESBORO, AR  | 2,985 |     | 330   | 2,655 | 2,985 | 523 | 2007 |
| BELLFLOWER, CA | 1,370 |     | 910   | 459   | 1,369 | 117 | 2007 |
| BENICIA, CA    | 2,223 |     | 1,058 | 1,166 | 2,224 | 310 | 2007 |
| COACHELLA, CA  | 2,235 |     | 1,217 | 1,018 | 2,235 | 253 | 2007 |
| EL CAJON, CA   | 1,292 |     | 780   | 512   | 1,292 | 115 | 2007 |
| FILLMORE, CA   | 1,354 |     | 950   | 404   | 1,354 | 103 | 2007 |
| HESPERIA, CA   | 1,643 |     | 849   | 794   | 1,643 | 186 | 2007 |

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|                      | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|----------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                      |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| LA PALMA, CA         | 1,972                                                                             |                                                               | 1,389                                               | 582                             | 1,971 | 145                         | 2007                                                             |
| POWAY, CA            | 1,439                                                                             |                                                               |                                                     | 1,439                           | 1,439 | 311                         | 2007                                                             |
| SAN DIMAS, CA        | 1,941                                                                             |                                                               | 749                                                 | 1,192                           | 1,941 | 257                         | 2007                                                             |
| HALEIWA, HI          | 1,522                                                                             |                                                               | 1,058                                               | 464                             | 1,522 | 146                         | 2007                                                             |
| HONOLULU, HI         | 1,539                                                                             |                                                               | 1,219                                               | 320                             | 1,539 | 79                          | 2007                                                             |
| HONOLULU, HI         | 1,769                                                                             |                                                               | 1,192                                               | 577                             | 1,769 | 130                         | 2007                                                             |
| HONOLULU, HI         | 1,070                                                                             |                                                               | 981                                                 | 89                              | 1,070 | 34                          | 2007                                                             |
| HONOLULU, HI         | 9,211                                                                             |                                                               | 8,194                                               | 1,017                           | 9,211 | 238                         | 2007                                                             |
| KANEOHE, HI          | 1,978                                                                             |                                                               | 1,473                                               | 504                             | 1,977 | 128                         | 2007                                                             |
| KANEOHE, HI          | 1,364                                                                             |                                                               | 822                                                 | 542                             | 1,364 | 143                         | 2007                                                             |
| WAIANAE, HI          | 1,997                                                                             |                                                               | 871                                                 | 1,126                           | 1,997 | 256                         | 2007                                                             |
| WAIANAE, HI          | 1,520                                                                             |                                                               | 648                                                 | 872                             | 1,520 | 197                         | 2007                                                             |
| WAIPAHU, HI          | 2,459                                                                             |                                                               | 945                                                 | 1,513                           | 2,458 | 329                         | 2007                                                             |
| COTTAGE HILLS, IL    | 249                                                                               |                                                               | 26                                                  | 223                             | 249   | 65                          | 2007                                                             |
| BALTIMORE, MD        | 2,259                                                                             |                                                               | 722                                                 | 1,537                           | 2,259 | 341                         | 2007                                                             |
| BALTIMORE, MD        | 802                                                                               |                                                               |                                                     | 802                             | 802   | 191                         | 2007                                                             |
| ELLCOTT CITY, MD     | 895                                                                               |                                                               |                                                     | 895                             | 895   | 224                         | 2007                                                             |
| KERNERSVILLE, NC     | 297                                                                               |                                                               | 73                                                  | 224                             | 297   | 54                          | 2007                                                             |
| KERNERSVILLE, NC     | 449                                                                               |                                                               | 338                                                 | 111                             | 449   | 49                          | 2007                                                             |
| MADISON, NC          | 395                                                                               |                                                               | 46                                                  | 350                             | 396   | 90                          | 2007                                                             |
| NEW BERN, NC         | 350                                                                               |                                                               | 190                                                 | 160                             | 350   | 53                          | 2007                                                             |
| WALKERTOWN, NC       | 315                                                                               |                                                               | 315                                                 |                                 | 315   |                             | 2007                                                             |
| WALNUT COVE, NC      | 560                                                                               |                                                               | 514                                                 | 46                              | 560   | 22                          | 2007                                                             |
| WINSTON SALEM, NC    | 434                                                                               |                                                               | 252                                                 | 182                             | 434   | 82                          | 2007                                                             |
| BELFIELD, ND         | 1,232                                                                             |                                                               | 382                                                 | 850                             | 1,232 | 351                         | 2007                                                             |
| ALLENSTOWN, NH       | 1,787                                                                             |                                                               | 467                                                 | 1,320                           | 1,787 | 325                         | 2007                                                             |
| BEDFORD, NH          | 2,301                                                                             |                                                               | 1,271                                               | 1,030                           | 2,301 | 279                         | 2007                                                             |
| HOOKSETT, NH         | 1,562                                                                             |                                                               | 824                                                 | 738                             | 1,562 | 315                         | 2007                                                             |
| AUSTIN, TX           | 2,368                                                                             |                                                               | 738                                                 | 1,630                           | 2,368 | 355                         | 2007                                                             |
| AUSTIN, TX           | 462                                                                               |                                                               | 274                                                 | 188                             | 462   | 58                          | 2007                                                             |
| AUSTIN, TX           | 3,510                                                                             |                                                               | 1,595                                               | 1,916                           | 3,511 | 422                         | 2007                                                             |
| BEDFORD, TX          | 353                                                                               |                                                               | 113                                                 | 240                             | 353   | 79                          | 2007                                                             |
| FT WORTH, TX         | 2,115                                                                             |                                                               | 866                                                 | 1,249                           | 2,115 | 307                         | 2007                                                             |
| HARKER HEIGHTS, TX   | 2,052                                                                             |                                                               | 588                                                 | 1,463                           | 2,051 | 523                         | 2007                                                             |
| HOUSTON, TX          | 1,689                                                                             |                                                               | 224                                                 | 1,465                           | 1,689 | 303                         | 2007                                                             |
| KELLER, TX           | 2,507                                                                             |                                                               | 996                                                 | 1,511                           | 2,507 | 349                         | 2007                                                             |
| LEWISVILLE, TX       | 494                                                                               |                                                               | 110                                                 | 384                             | 494   | 89                          | 2008                                                             |
| MIDLOTHIAN, TX       | 429                                                                               |                                                               | 72                                                  | 357                             | 429   | 101                         | 2007                                                             |
| N RICHLAND HILLS, TX | 314                                                                               |                                                               | 126                                                 | 189                             | 315   | 48                          | 2007                                                             |
| SAN MARCOS, TX       | 1,954                                                                             |                                                               | 251                                                 | 1,703                           | 1,954 | 362                         | 2007                                                             |
| TEMPLE, TX           | 2,406                                                                             |                                                               | 1,215                                               | 1,190                           | 2,405 | 282                         | 2007                                                             |
| THE COLONY, TX       | 4,396                                                                             |                                                               | 337                                                 | 4,059                           | 4,396 | 815                         | 2007                                                             |
| WACO, TX             | 3,884                                                                             |                                                               | 894                                                 | 2,990                           | 3,884 | 711                         | 2007                                                             |
| BROOKLAND, AR        | 1,468                                                                             |                                                               | 149                                                 | 1,319                           | 1,468 | 226                         | 2007                                                             |
| JONESBORO, AR        | 869                                                                               |                                                               | 173                                                 | 695                             | 868   | 125                         | 2007                                                             |
| MANCHESTER, NH       | 261                                                                               | 36                                                            | 170                                                 | 128                             | 298   | 87                          | 1985                                                             |
| DERRY, NH            | 418                                                                               | 41                                                            | 158                                                 | 301                             | 459   | 276                         | 1987                                                             |
| PLAISTOW, NH         | 300                                                                               | 137                                                           | 245                                                 | 192                             | 437   | 166                         | 1987                                                             |
| SOMERSWORTH, NH      | 181                                                                               | 83                                                            | 118                                                 | 147                             | 265   | 90                          | 1985                                                             |
| SALEM, NH            | 743                                                                               | 43                                                            | 484                                                 | 302                             | 786   | 164                         | 1985                                                             |
| LONDONDERRY, NH      | 703                                                                               | 54                                                            | 458                                                 | 300                             | 758   | 167                         | 1985                                                             |
| ROCHESTER, NH        | 939                                                                               | 37                                                            | 600                                                 | 376                             | 976   | 201                         | 1985                                                             |

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|                 |     |     |     |     |     |     |      |
|-----------------|-----|-----|-----|-----|-----|-----|------|
| HAMPTON, NH     | 193 | 60  | 136 | 118 | 254 | 84  | 1986 |
| MERRIMACK, NH   | 152 | 227 | 101 | 279 | 380 | 230 | 1986 |
| NASHUA, NH      | 197 | 241 | 156 | 283 | 439 | 234 | 1986 |
| PELHAM, NH      | 169 | 83  | 136 | 116 | 252 | 85  | 1986 |
| PEMBROKE, NH    | 138 | 197 | 101 | 234 | 335 | 187 | 1986 |
| ROCHESTER, NH   | 175 | 230 | 95  | 310 | 405 | 264 | 1986 |
| SOMERSWORTH, NH | 211 | 39  | 158 | 93  | 251 | 68  | 1986 |
| EXETER, NH      | 113 | 205 | 65  | 254 | 319 | 198 | 1986 |
| CANDIA, NH      | 130 | 211 | 80  | 261 | 341 | 234 | 1986 |

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|                   | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|-------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                   |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| EPPING, NH        | 170                                                                               | 154                                                           | 120                                                 | 204                             | 324   | 176                         | 1986                                                             |
| EPSOM, NH         | 220                                                                               | 138                                                           | 155                                                 | 203                             | 358   | 157                         | 1986                                                             |
| MILFORD, NH       | 190                                                                               | 75                                                            | 115                                                 | 150                             | 265   | 117                         | 1986                                                             |
| PORTSMOUTH, NH    | 235                                                                               | 81                                                            | 150                                                 | 166                             | 316   | 106                         | 1986                                                             |
| PORTSMOUTH, NH    | 225                                                                               | 250                                                           | 125                                                 | 350                             | 475   | 302                         | 1986                                                             |
| SALEM, NH         | 450                                                                               | 71                                                            | 350                                                 | 171                             | 521   | 148                         | 1986                                                             |
| SEABROOK, NH      | 200                                                                               | 48                                                            | 125                                                 | 123                             | 248   | 94                          | 1986                                                             |
| CONCORD, NH       | 675                                                                               |                                                               | 675                                                 |                                 | 675   |                             | 2011                                                             |
| CONCORD, NH       | 900                                                                               |                                                               | 900                                                 |                                 | 900   |                             | 2011                                                             |
| DERRY, NH         | 950                                                                               |                                                               | 950                                                 |                                 | 950   |                             | 2011                                                             |
| DOVER, NH         | 650                                                                               |                                                               | 650                                                 |                                 | 650   |                             | 2011                                                             |
| DOVER, NH         | 1,200                                                                             |                                                               | 1,200                                               |                                 | 1,200 |                             | 2011                                                             |
| DOVER, NH         | 300                                                                               |                                                               | 300                                                 |                                 | 300   |                             | 2011                                                             |
| HOOKSETT, NH      | 336                                                                               |                                                               |                                                     | 336                             | 336   | 24                          | 2011                                                             |
| KINGSTON, NH      | 1,500                                                                             |                                                               | 1,500                                               |                                 | 1,500 |                             | 2011                                                             |
| LONDONDERRY, NH   | 1,100                                                                             |                                                               | 1,100                                               |                                 | 1,100 |                             | 2011                                                             |
| MANCHESTER, NH    | 550                                                                               |                                                               | 550                                                 |                                 | 550   |                             | 2011                                                             |
| NASHUA, NH        | 825                                                                               |                                                               | 825                                                 |                                 | 825   |                             | 2011                                                             |
| NASHUA, NH        | 750                                                                               |                                                               | 750                                                 |                                 | 750   |                             | 2011                                                             |
| NASHUA, NH        | 1,750                                                                             |                                                               | 1,750                                               |                                 | 1,750 |                             | 2011                                                             |
| NASHUA, NH        | 500                                                                               |                                                               | 500                                                 |                                 | 500   |                             | 2011                                                             |
| NASHUA, NH        | 550                                                                               |                                                               | 550                                                 |                                 | 550   |                             | 2011                                                             |
| NORTHWOOD, NH     | 500                                                                               |                                                               | 500                                                 |                                 | 500   |                             | 2011                                                             |
| PORTSMOUTH, NH    | 525                                                                               |                                                               | 525                                                 |                                 | 525   |                             | 2011                                                             |
| RAYMOND, NH       | 550                                                                               |                                                               | 550                                                 |                                 | 550   |                             | 2011                                                             |
| ROCHESTER, NH     | 1,400                                                                             |                                                               | 1,400                                               |                                 | 1,400 |                             | 2011                                                             |
| ROCHESTER, NH     | 1,600                                                                             |                                                               | 1,600                                               |                                 | 1,600 |                             | 2011                                                             |
| ROCHESTER, NH     | 700                                                                               |                                                               | 700                                                 |                                 | 700   |                             | 2011                                                             |
| MCAFEЕ, NJ        | 671                                                                               | 58                                                            | 437                                                 | 292                             | 729   | 147                         | 1985                                                             |
| HAMBURG, NJ       | 599                                                                               | 209                                                           | 390                                                 | 418                             | 808   | 140                         | 1985                                                             |
| WEST MILFORD, NJ  | 393                                                                               | 167                                                           | 295                                                 | 264                             | 559   | 131                         | 1985                                                             |
| LIVINGSTON, NJ    | 872                                                                               | 62                                                            | 568                                                 | 366                             | 934   | 200                         | 1985                                                             |
| TRENTON, NJ       | 374                                                                               | 52                                                            | 243                                                 | 182                             | 425   | 84                          | 1985                                                             |
| BAYONNE, NJ       | 342                                                                               | 110                                                           | 109                                                 | 342                             | 451   |                             | 1985                                                             |
| CRANFORD, NJ      | 343                                                                               | 120                                                           | 222                                                 | 240                             | 462   | 97                          | 1985                                                             |
| NUTLEY, NJ        |                                                                                   | 665                                                           | 329                                                 | 336                             | 665   | 61                          | 1986                                                             |
| TRENTON, NJ       | 466                                                                               | 56                                                            | 304                                                 | 219                             | 523   | 106                         | 1985                                                             |
| WALL TOWNSHIP, NJ | 336                                                                               | 96                                                            | 121                                                 | 311                             | 432   | 272                         | 1986                                                             |
| UNION, NJ         | 437                                                                               | (119)                                                         | 239                                                 | 79                              | 318   |                             | 1985                                                             |
| CRANBURY, NJ      | 607                                                                               | (37)                                                          | 289                                                 | 281                             | 570   |                             | 1985                                                             |
| HILLSIDE, NJ      | 225                                                                               | 32                                                            | 150                                                 | 107                             | 257   | 106                         | 1987                                                             |
| SPOTSWOOD, NJ     | 467                                                                               | 69                                                            | 304                                                 | 232                             | 536   | 160                         | 1985                                                             |
| LONG BRANCH, NJ   | 514                                                                               | 73                                                            | 335                                                 | 252                             | 587   | 124                         | 1985                                                             |
| ELIZABETH, NJ     | 406                                                                               | 117                                                           | 227                                                 | 296                             | 523   |                             | 1985                                                             |
| BELLEVILLE, NJ    | 398                                                                               | 82                                                            | 259                                                 | 220                             | 479   | 118                         | 1985                                                             |
| PISCATAWAY, NJ    | 106                                                                               | 380                                                           | 50                                                  | 435                             | 485   | 75                          | 1993                                                             |
| NEPTUNE CITY, NJ  | 270                                                                               |                                                               | 176                                                 | 94                              | 270   | 52                          | 1985                                                             |
| BASKING RIDGE, NJ | 362                                                                               | 145                                                           | 200                                                 | 307                             | 507   | 153                         | 1986                                                             |
| DEPTFORD, NJ      | 281                                                                               | 67                                                            | 183                                                 | 165                             | 348   | 81                          | 1985                                                             |
| CHERRY HILL, NJ   | 358                                                                               | 127                                                           | 233                                                 | 252                             | 485   | 85                          | 1985                                                             |
| SEWELL, NJ        | 552                                                                               | 77                                                            | 356                                                 | 273                             | 629   | 158                         | 1985                                                             |
| FLEMINGTON, NJ    | 547                                                                               | 44                                                            | 346                                                 | 244                             | 590   | 129                         | 1985                                                             |

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|                   |     |       |     |     |       |     |      |
|-------------------|-----|-------|-----|-----|-------|-----|------|
| BERKELEY HGTS, NJ |     | 302   |     | 302 | 302   | 42  | 1987 |
| WILLIAMSTOWN, NJ  | 157 | 78    | 130 | 105 | 235   | 35  | 1988 |
| BLACKWOOD, NJ     | 402 | (81)  | 216 | 105 | 321   |     | 1985 |
| TRENTON, NJ       | 685 | 75    | 445 | 315 | 760   | 169 | 1985 |
| LODI, NJ          |     | 1,076 | 588 | 488 | 1,076 | 203 | 1988 |
| EAST ORANGE, NJ   | 422 | (42)  | 223 | 157 | 380   |     | 1985 |
| BELMAR, NJ        | 566 | 121   | 411 | 277 | 688   | 142 | 1985 |
| MOORESTOWN, NJ    | 470 | (161) | 184 | 125 | 309   |     | 1985 |
| SPRING LAKE, NJ   | 346 | 139   | 225 | 260 | 485   | 129 | 1985 |

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|                         | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|-------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                         |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| HILLTOP, NJ             | 330                                                                               | 59                                                            | 215                                                 | 174                             | 389   | 82                          | 1985                                                             |
| CLIFTON, NJ             | 302                                                                               | 6                                                             | 150                                                 | 158                             | 308   | 119                         | 1987                                                             |
| FRANKLIN TWP., NJ       | 683                                                                               | 252                                                           | 445                                                 | 490                             | 935   | 166                         | 1985                                                             |
| FLEMINGTON, NJ          | 708                                                                               | 75                                                            | 461                                                 | 323                             | 784   | 172                         | 1985                                                             |
| CLEMENTON, NJ           | 563                                                                               | (135)                                                         | 206                                                 | 221                             | 427   |                             | 1985                                                             |
| ASBURY PARK, NJ         | 419                                                                               | (89)                                                          | 252                                                 | 78                              | 330   |                             | 1985                                                             |
| MIDLAND PARK, NJ        | 201                                                                               | 234                                                           | 150                                                 | 286                             | 436   | 58                          | 1989                                                             |
| PATERSON, NJ            | 620                                                                               | 43                                                            | 403                                                 | 259                             | 662   | 138                         | 1985                                                             |
| OCEAN CITY, NJ          | 844                                                                               | (274)                                                         | 367                                                 | 203                             | 570   |                             | 1985                                                             |
| WHITING, NJ             | 447                                                                               | (200)                                                         | 98                                                  | 149                             | 247   |                             | 1989                                                             |
| HILLSBOROUGH, NJ        | 237                                                                               | 197                                                           | 100                                                 | 335                             | 435   | 87                          | 1985                                                             |
| PRINCETON, NJ           | 703                                                                               | 558                                                           | 458                                                 | 803                             | 1,261 | 181                         | 1985                                                             |
| NEPTUNE, NJ             | 456                                                                               | (152)                                                         | 234                                                 | 70                              | 304   |                             | 1985                                                             |
| NEWARK, NJ              | 3,087                                                                             | 1,585                                                         | 2,006                                               | 2,666                           | 4,672 | 779                         | 1985                                                             |
| OAKHURST, NJ            | 226                                                                               | 520                                                           | 101                                                 | 645                             | 746   | 176                         | 1985                                                             |
| BELLEVILLE, NJ          | 215                                                                               | 73                                                            | 149                                                 | 139                             | 288   | 105                         | 1986                                                             |
| PINE HILL, NJ           | 191                                                                               | 82                                                            | 116                                                 | 157                             | 273   | 116                         | 1986                                                             |
| TUCKERTON, NJ           | 224                                                                               | 189                                                           | 131                                                 | 283                             | 414   | 226                         | 1987                                                             |
| WEST DEPTFORD, NJ       | 245                                                                               | 50                                                            | 151                                                 | 145                             | 296   | 145                         | 1987                                                             |
| ATCO, NJ                | 153                                                                               | 118                                                           | 132                                                 | 139                             | 271   | 108                         | 1987                                                             |
| SOMERVILLE, NJ          | 253                                                                               | 275                                                           | 201                                                 | 327                             | 528   | 253                         | 1987                                                             |
| CINNAMINSON, NJ         | 327                                                                               | 25                                                            | 177                                                 | 175                             | 352   | 175                         | 1987                                                             |
| RIDGEFIELD PARK, NJ     | 274                                                                               | 46                                                            | 150                                                 | 169                             | 319   | 112                         | 1997                                                             |
| BRICK, NJ               | 1,508                                                                             | 28                                                            | 1,000                                               | 536                             | 1,536 | 307                         | 2000                                                             |
| LAKE HOPATCONG, NJ      | 1,305                                                                             | 42                                                            | 800                                                 | 547                             | 1,347 | 353                         | 2000                                                             |
| BERGENFIELD, NJ         | 382                                                                               | 65                                                            | 300                                                 | 147                             | 447   | 118                         | 1990                                                             |
| ORANGE, NJ              | 281                                                                               | 129                                                           | 183                                                 | 227                             | 410   | 80                          | 1985                                                             |
| BLOOMFIELD, NJ          | 674                                                                               | 21                                                            | 350                                                 | 345                             | 695   | 345                         | 1985                                                             |
| SCOTCH PLAINS, NJ       | 331                                                                               | 45                                                            | 215                                                 | 161                             | 376   | 80                          | 1985                                                             |
| NUTLEY, NJ              | 434                                                                               | 49                                                            | 283                                                 | 200                             | 483   | 133                         | 1985                                                             |
| PLAINFIELD, NJ          | 470                                                                               | 72                                                            | 306                                                 | 236                             | 542   | 123                         | 1985                                                             |
| MOUNTAINSIDE, NJ        | 664                                                                               | 291                                                           | 432                                                 | 523                             | 955   | 163                         | 1985                                                             |
| WATCHUNG, NJ            | 450                                                                               | (158)                                                         | 226                                                 | 66                              | 292   |                             | 1985                                                             |
| GREEN VILLAGE, NJ       | 278                                                                               | 70                                                            | 128                                                 | 220                             | 348   | 195                         | 1985                                                             |
| IRVINGTON, NJ           | 410                                                                               | 97                                                            | 267                                                 | 240                             | 507   | 136                         | 1985                                                             |
| JERSEY CITY, NJ         | 438                                                                               | 85                                                            | 218                                                 | 304                             | 522   |                             | 1985                                                             |
| BLOOMFIELD, NJ          | 442                                                                               | 75                                                            | 288                                                 | 229                             | 517   | 141                         | 1985                                                             |
| DOVER, NJ               | 577                                                                               | (150)                                                         | 311                                                 | 116                             | 427   |                             | 1985                                                             |
| PARLIN, NJ              | 418                                                                               | (131)                                                         | 203                                                 | 84                              | 287   |                             | 1985                                                             |
| UNION CITY, NJ          | 800                                                                               | 3                                                             | 521                                                 | 282                             | 803   | 159                         | 1985                                                             |
| COLONIA, NJ             | 253                                                                               | 3                                                             | 165                                                 | 92                              | 257   | 53                          | 1985                                                             |
| NORTH BERGEN, NJ        | 630                                                                               | 123                                                           | 410                                                 | 343                             | 753   | 205                         | 1985                                                             |
| WAYNE, NJ               | 490                                                                               | 312                                                           | 319                                                 | 483                             | 802   | 120                         | 1985                                                             |
| HASBROUCK HEIGHTS, NJ   | 640                                                                               | 359                                                           | 416                                                 | 583                             | 999   | 147                         | 1985                                                             |
| COLONIA, NJ             | 720                                                                               | 131                                                           | 535                                                 | 316                             | 851   | 261                         | 1985                                                             |
| OLD BRIDGE, NJ          | 320                                                                               | 37                                                            | 125                                                 | 231                             | 356   |                             | 1985                                                             |
| RIDGEWOOD, NJ           | 703                                                                               | 79                                                            | 458                                                 | 324                             | 782   | 174                         | 1985                                                             |
| HAWTHORNE, NJ           | 245                                                                               | 52                                                            | 160                                                 | 138                             | 298   | 59                          | 1985                                                             |
| WAYNE, NJ               | 474                                                                               | 85                                                            | 309                                                 | 250                             | 559   | 137                         | 1985                                                             |
| WASHINGTON TOWNSHIP, NJ | 912                                                                               | 63                                                            | 594                                                 | 381                             | 975   | 200                         | 1985                                                             |
| PARAMUS, NJ             | 382                                                                               | 69                                                            | 249                                                 | 202                             | 451   | 117                         | 1985                                                             |
| JERSEY CITY, NJ         | 402                                                                               | (22)                                                          | 128                                                 | 252                             | 380   |                             | 1985                                                             |

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|                      |       |      |     |     |       |     |      |
|----------------------|-------|------|-----|-----|-------|-----|------|
| FORT LEE, NJ         | 1,246 | 81   | 811 | 515 | 1,326 | 283 | 1985 |
| AUDUBON, NJ          | 422   | 32   | 275 | 179 | 454   | 95  | 1985 |
| TRENTON, NJ          | 338   | 119  | 220 | 237 | 457   | 137 | 1985 |
| MAGNOLIA, NJ         | 330   | (67) | 124 | 139 | 263   |     | 1985 |
| BEVERLY, NJ          | 470   | 24   | 306 | 188 | 494   | 115 | 1985 |
| PISCATAWAY, NJ       | 269   | 28   | 156 | 141 | 297   |     | 1985 |
| WEST ORANGE, NJ      | 800   | 144  | 521 | 423 | 944   | 192 | 1985 |
| ROCKVILLE CENTRE, NY | 350   | 352  | 201 | 501 | 702   | 400 | 1985 |
| GLENDALE, NY         | 369   | 202  | 236 | 335 | 571   | 223 | 1985 |

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|                      | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|----------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                      |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| BELLAIRE, NY         | 330                                                                               | 96                                                            | 215                                                 | 211                             | 426   | 133                         | 1985                                                             |
| BAYSIDE, NY          | 245                                                                               | 225                                                           | 160                                                 | 310                             | 470   | 226                         | 1985                                                             |
| YONKERS, NY          | 153                                                                               | 118                                                           | 77                                                  | 194                             | 271   | 92                          | 1987                                                             |
| DOBBS FERRY, NY      | 671                                                                               | 76                                                            | 434                                                 | 312                             | 746   | 167                         | 1985                                                             |
| NORTH MERRICK, NY    | 510                                                                               | 180                                                           | 332                                                 | 358                             | 690   | 219                         | 1985                                                             |
| GREAT NECK, NY       | 500                                                                               | 53                                                            | 450                                                 | 103                             | 553   | 75                          | 1985                                                             |
| GLEN HEAD, NY        | 462                                                                               | 76                                                            | 301                                                 | 237                             | 538   | 136                         | 1985                                                             |
| GARDEN CITY, NY      | 362                                                                               | 63                                                            | 236                                                 | 189                             | 425   | 103                         | 1985                                                             |
| HEWLETT, NY          | 490                                                                               | 213                                                           | 319                                                 | 384                             | 703   | 160                         | 1985                                                             |
| EAST HILLS, NY       | 242                                                                               | 63                                                            | 242                                                 | 63                              | 305   | 22                          | 1986                                                             |
| LEVITTOWN, NY        | 503                                                                               | 56                                                            | 327                                                 | 231                             | 558   | 140                         | 1985                                                             |
| LEVITTOWN, NY        | 546                                                                               | 155                                                           | 356                                                 | 346                             | 702   | 203                         | 1985                                                             |
| ST. ALBANS, NY       | 330                                                                               | 127                                                           | 215                                                 | 242                             | 457   | 149                         | 1985                                                             |
| BROOKLYN, NY         | 627                                                                               | 325                                                           | 408                                                 | 543                             | 951   | 381                         | 1985                                                             |
| BROOKLYN, NY         | 477                                                                               | 315                                                           | 306                                                 | 486                             | 792   | 367                         | 1985                                                             |
| SEAFORD, NY          | 325                                                                               | 125                                                           | 212                                                 | 239                             | 451   | 125                         | 1985                                                             |
| BAYSIDE, NY          | 470                                                                               | 289                                                           | 306                                                 | 453                             | 759   | 306                         | 1985                                                             |
| ELMONT, NY           | 360                                                                               | 91                                                            | 224                                                 | 227                             | 451   | 144                         | 1985                                                             |
| WHITE PLAINS, NY     | 259                                                                               | 96                                                            | 165                                                 | 190                             | 355   | 113                         | 1985                                                             |
| SCARSDALE, NY        | 257                                                                               | 170                                                           | 123                                                 | 304                             | 427   |                             | 1985                                                             |
| EASTCHESTER, NY      | 534                                                                               | (154)                                                         | 289                                                 | 91                              | 380   |                             | 1985                                                             |
| NEW ROCHELLE, NY     | 338                                                                               | 83                                                            | 220                                                 | 201                             | 421   | 115                         | 1985                                                             |
| BROOKLYN, NY         | 422                                                                               | 313                                                           | 275                                                 | 460                             | 735   | 321                         | 1985                                                             |
| COMMACK, NY          | 321                                                                               | 41                                                            | 209                                                 | 153                             | 362   | 88                          | 1985                                                             |
| SAG HARBOR, NY       | 704                                                                               | 76                                                            | 458                                                 | 321                             | 779   | 174                         | 1985                                                             |
| EAST HAMPTON, NY     | 659                                                                               | 79                                                            | 428                                                 | 310                             | 738   | 170                         | 1985                                                             |
| MASTIC, NY           | 313                                                                               | 125                                                           | 204                                                 | 235                             | 439   | 171                         | 1985                                                             |
| BRONX, NY            | 390                                                                               | 352                                                           | 251                                                 | 491                             | 742   | 370                         | 1985                                                             |
| YONKERS, NY          | 1,020                                                                             | 116                                                           | 665                                                 | 472                             | 1,137 | 261                         | 1985                                                             |
| GLENVILLE, NY        | 344                                                                               | 114                                                           | 220                                                 | 238                             | 458   | 165                         | 1985                                                             |
| YONKERS, NY          | 203                                                                               | 83                                                            | 144                                                 | 141                             | 285   | 99                          | 1986                                                             |
| MINEOLA, NY          | 342                                                                               | 34                                                            | 222                                                 | 154                             | 376   | 100                         | 1985                                                             |
| ALBANY, NY           | 405                                                                               | 146                                                           | 262                                                 | 290                             | 552   | 185                         | 1985                                                             |
| LONG ISLAND CITY, NY | 1,646                                                                             | 259                                                           | 1,072                                               | 834                             | 1,906 | 580                         | 1985                                                             |
| RENSSELAER, NY       | 1,654                                                                             | 514                                                           | 1,077                                               | 1,091                           | 2,168 | 835                         | 1985                                                             |
| RENSSELAER, NY       | 684                                                                               | 246                                                           | 287                                                 | 643                             | 930   | 153                         | 2004                                                             |
| PORT JEFFERSON, NY   | 387                                                                               | 93                                                            | 246                                                 | 235                             | 481   | 144                         | 1985                                                             |
| ROTTERDAM, NY        | 141                                                                               | 142                                                           | 92                                                  | 191                             | 283   | 125                         | 1985                                                             |
| OSSINING, NY         | 231                                                                               | 78                                                            | 117                                                 | 192                             | 309   |                             | 1985                                                             |
| ELLENVILLE, NY       | 233                                                                               | 95                                                            | 152                                                 | 176                             | 328   | 99                          | 1985                                                             |
| CHATHAM, NY          | 349                                                                               | 174                                                           | 225                                                 | 298                             | 523   | 198                         | 1985                                                             |
| SHRUB OAK, NY        | 1,061                                                                             | 265                                                           | 691                                                 | 635                             | 1,326 | 289                         | 1985                                                             |
| BROOKLYN, NY         | 237                                                                               | 167                                                           | 154                                                 | 250                             | 404   | 157                         | 1985                                                             |
| STATEN ISLAND, NY    | 301                                                                               | 331                                                           | 196                                                 | 436                             | 632   | 319                         | 1985                                                             |
| STATEN ISLAND, NY    | 358                                                                               | 63                                                            | 230                                                 | 191                             | 421   | 112                         | 1985                                                             |
| STATEN ISLAND, NY    | 350                                                                               | 219                                                           | 228                                                 | 341                             | 569   | 230                         | 1985                                                             |
| BRONX, NY            | 94                                                                                | 162                                                           | 67                                                  | 189                             | 256   | 142                         | 1985                                                             |
| BRONX, NY            | 104                                                                               | 382                                                           | 90                                                  | 396                             | 486   | 355                         | 1985                                                             |
| PELHAM MANOR, NY     | 137                                                                               | 109                                                           | 75                                                  | 170                             | 245   | 140                         | 1985                                                             |
| EAST MEADOW, NY      | 425                                                                               | 128                                                           | 325                                                 | 228                             | 553   | 164                         | 1986                                                             |
| STATEN ISLAND, NY    | 390                                                                               | 114                                                           | 254                                                 | 250                             | 504   | 165                         | 1985                                                             |
| MASSAPEQUA, NY       | 333                                                                               | 91                                                            | 217                                                 | 207                             | 424   | 119                         | 1985                                                             |

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|                    |       |     |       |     |       |     |      |
|--------------------|-------|-----|-------|-----|-------|-----|------|
| TROY, NY           | 225   | 61  | 147   | 139 | 286   | 104 | 1985 |
| BALDWIN, NY        | 291   | 47  | 151   | 187 | 338   | 95  | 1986 |
| MIDDLETOWN, NY     | 751   | 209 | 489   | 471 | 960   | 284 | 1985 |
| OCEANSIDE, NY      | 313   | 117 | 204   | 227 | 431   | 127 | 1985 |
| WANTAGH, NY        | 262   | 275 | 175   | 362 | 537   | 151 | 1985 |
| NORTHPORT, NY      | 241   | 33  | 157   | 117 | 274   | 80  | 1985 |
| BREWSTER, NY       | 789   |     | 789   |     | 789   |     | 2011 |
| BRONXVILLE, NY     | 1,232 |     | 1,232 |     | 1,232 |     | 2011 |
| CORTLAND MANOR, NY | 1,872 |     | 1,872 |     | 1,872 |     | 2011 |

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|                       | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|-----------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                       |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| DOBBS FERRY, NY       | 1,345                                                                             |                                                               | 1,345                                               |                                 | 1,345 |                             | 2011                                                             |
| EASTCHESTER, NY       | 1,724                                                                             |                                                               | 1,724                                               |                                 | 1,724 |                             | 2011                                                             |
| ELMSFORD, NY          | 1,453                                                                             |                                                               | 1,453                                               |                                 | 1,453 |                             | 2011                                                             |
| GARNERVILLE, NY       | 1,508                                                                             |                                                               | 1,508                                               |                                 | 1,508 |                             | 2011                                                             |
| HARTSDALE, NY         | 1,626                                                                             |                                                               | 1,626                                               |                                 | 1,626 |                             | 2011                                                             |
| HAWTHORNE, NY         | 2,084                                                                             |                                                               | 2,084                                               |                                 | 2,084 |                             | 2011                                                             |
| HOPEWELL JUNCTION, NY | 1,163                                                                             |                                                               | 1,163                                               |                                 | 1,163 |                             | 2011                                                             |
| HYDE PARK, NY         | 990                                                                               |                                                               | 990                                                 |                                 | 990   |                             | 2011                                                             |
| MAMARONECK, NY        | 1,429                                                                             |                                                               | 1,429                                               |                                 | 1,429 |                             | 2011                                                             |
| MIDDLETOWN, NY        | 1,281                                                                             |                                                               | 1,281                                               |                                 | 1,281 |                             | 2011                                                             |
| MILLWOOD, NY          | 1,448                                                                             |                                                               | 1,448                                               |                                 | 1,448 |                             | 2011                                                             |
| MOUNT KISCO, NY       | 1,907                                                                             |                                                               | 1,907                                               |                                 | 1,907 |                             | 2011                                                             |
| MOUNT VERNON, NY      | 985                                                                               |                                                               | 985                                                 |                                 | 985   |                             | 2011                                                             |
| CHESTER, NY           | 1,158                                                                             |                                                               | 1,158                                               |                                 | 1,158 |                             | 2011                                                             |
| NEW PALTZ, NY         | 971                                                                               |                                                               | 971                                                 |                                 | 971   |                             | 2011                                                             |
| NEW ROCHELLE, NY      | 1,887                                                                             |                                                               | 1,887                                               |                                 | 1,887 |                             | 2011                                                             |
| NEW WINDSOR, NY       | 1,084                                                                             |                                                               | 1,084                                               |                                 | 1,084 |                             | 2011                                                             |
| NEWBURGH, NY          | 527                                                                               |                                                               | 527                                                 |                                 | 527   |                             | 2011                                                             |
| NEWBURGH, NY          | 1,192                                                                             |                                                               | 1,192                                               |                                 | 1,192 |                             | 2011                                                             |
| PEEKSKILL, NY         | 2,207                                                                             |                                                               | 2,207                                               |                                 | 2,207 |                             | 2011                                                             |
| PELHAM, NY            | 1,035                                                                             |                                                               | 1,035                                               |                                 | 1,035 |                             | 2011                                                             |
| PORT CHESTER, NY      | 1,015                                                                             |                                                               | 1,015                                               |                                 | 1,015 |                             | 2011                                                             |
| PORT CHESTER, NY      | 941                                                                               |                                                               |                                                     | 941                             | 941   | 55                          | 2011                                                             |
| POUGHKEEPSIE, NY      | 591                                                                               |                                                               | 591                                                 |                                 | 591   |                             | 2011                                                             |
| POUGHKEEPSIE, NY      | 1,020                                                                             |                                                               | 1,020                                               |                                 | 1,020 |                             | 2011                                                             |
| POUGHKEEPSIE, NY      | 1,340                                                                             |                                                               | 1,340                                               |                                 | 1,340 |                             | 2011                                                             |
| POUGHKEEPSIE, NY      | 1,306                                                                             |                                                               | 1,306                                               |                                 | 1,306 |                             | 2011                                                             |
| POUGHKEEPSIE, NY      | 1,355                                                                             |                                                               | 1,355                                               |                                 | 1,355 |                             | 2011                                                             |
| POUGHKEEPSIE, NY      | 1,232                                                                             |                                                               | 1,232                                               |                                 | 1,232 |                             | 2011                                                             |
| RYE, NY               | 872                                                                               |                                                               | 872                                                 |                                 | 872   |                             | 2011                                                             |
| SCARSDALE, NY         | 1,301                                                                             |                                                               | 1,301                                               |                                 | 1,301 |                             | 2011                                                             |
| SPRING VALLEY, NY     | 749                                                                               |                                                               | 749                                                 |                                 | 749   |                             | 2011                                                             |
| TARRYTOWN, NY         | 956                                                                               |                                                               | 956                                                 |                                 | 956   |                             | 2011                                                             |
| THORNWOOD, NY         | 1,389                                                                             |                                                               |                                                     | 1,389                           | 1,389 | 72                          | 2011                                                             |
| TUCHAHOE, NY          | 1,650                                                                             |                                                               | 1,650                                               |                                 | 1,650 |                             | 2011                                                             |
| WAPPINGERS FALLS, NY  | 452                                                                               |                                                               |                                                     | 452                             | 452   | 40                          | 2011                                                             |
| WAPPINGERS FALLS, NY  | 1,488                                                                             |                                                               | 1,488                                               |                                 | 1,488 |                             | 2011                                                             |
| WARWICK, NY           | 1,049                                                                             |                                                               | 1,049                                               |                                 | 1,049 |                             | 2011                                                             |
| WEST NYACK, NY        | 936                                                                               |                                                               | 936                                                 |                                 | 936   |                             | 2011                                                             |
| YONKERS, NY           | 1,907                                                                             |                                                               | 1,907                                               |                                 | 1,907 |                             | 2011                                                             |
| YORKTOWN HEIGHTS, NY  | 2,365                                                                             |                                                               | 2,365                                               |                                 | 2,365 |                             | 2011                                                             |
| FISHKILL, NY          | 1,793                                                                             |                                                               | 1,793                                               |                                 | 1,793 |                             | 2011                                                             |
| MIDDLETOWN, NY        | 719                                                                               |                                                               | 719                                                 |                                 | 719   |                             | 2011                                                             |
| NANUET, NY            | 2,316                                                                             |                                                               | 2,316                                               |                                 | 2,316 |                             | 2011                                                             |
| WHITE PLAINS, NY      | 1,458                                                                             |                                                               | 1,458                                               |                                 | 1,458 |                             | 2011                                                             |
| KATONAH, NY           | 1,084                                                                             |                                                               | 1,084                                               |                                 | 1,084 |                             | 2011                                                             |
| BALLSTON, NY          | 160                                                                               | 247                                                           | 110                                                 | 297                             | 407   | 185                         | 1986                                                             |
| BALLSTON SPA, NY      | 210                                                                               | 152                                                           | 100                                                 | 262                             | 362   | 215                         | 1986                                                             |
| COLONIE, NY           | 245                                                                               | 70                                                            | 120                                                 | 195                             | 315   | 153                         | 1986                                                             |
| DELMAR, NY            | 150                                                                               | 158                                                           | 70                                                  | 238                             | 308   | 123                         | 1986                                                             |
| FORT EDWARD, NY       | 225                                                                               | 66                                                            | 150                                                 | 141                             | 291   | 141                         | 1986                                                             |
| HALFMOON, NY          | 415                                                                               | 271                                                           | 228                                                 | 458                             | 686   | 391                         | 1986                                                             |

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|                     |     |     |     |     |     |     |      |
|---------------------|-----|-----|-----|-----|-----|-----|------|
| HANCOCK, NY         | 100 | 272 | 50  | 322 | 372 | 160 | 1986 |
| HYDE PARK, NY       | 300 | 59  | 175 | 184 | 359 | 184 | 1986 |
| LATHAM, NY          | 275 | 195 | 150 | 320 | 470 | 193 | 1986 |
| MALTA, NY           | 190 | 123 | 65  | 248 | 313 | 214 | 1986 |
| MILLERTON, NY       | 175 | 181 | 100 | 256 | 356 | 200 | 1986 |
| NEW WINDSOR, NY     | 150 | 137 | 75  | 212 | 287 | 169 | 1986 |
| NISKAYUNA, NY       | 425 | 35  | 275 | 185 | 460 | 185 | 1986 |
| PLEASANT VALLEY, NY | 398 | 157 | 240 | 316 | 556 | 237 | 1986 |
| QUEENSBURY, NY      | 215 | 93  | 96  | 212 | 308 |     | 1986 |

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|                       | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                                 |       | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|-----------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                       |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total |                             |                                                                  |
| ROTTERDAM, NY         | 132                                                                               | 166                                                           |                                                     | 298                             | 298   | 276                         | 1995                                                             |
| SCHENECTADY, NY       | 225                                                                               | 340                                                           | 150                                                 | 415                             | 565   | 373                         | 1986                                                             |
| WARRENSBURG, NY       | 115                                                                               | 194                                                           | 69                                                  | 240                             | 309   |                             | 1986                                                             |
| ALBANY, NY            | 207                                                                               | 88                                                            | 82                                                  | 213                             | 295   | 213                         | 1986                                                             |
| NEWBURGH, NY          | 431                                                                               | 72                                                            | 150                                                 | 353                             | 503   | 303                         | 1989                                                             |
| JERICO, NY            |                                                                                   | 358                                                           |                                                     | 358                             | 358   | 198                         | 1998                                                             |
| PORT EWEN, NY         | 657                                                                               |                                                               | 177                                                 | 480                             | 657   | 156                         | 2007                                                             |
| CATSKILL, NY          | 405                                                                               |                                                               | 354                                                 | 51                              | 405   | 10                          | 2007                                                             |
| HUDSON, NY            | 304                                                                               | 5                                                             | 148                                                 | 160                             | 308   |                             | 1989                                                             |
| QUARRYVILLE, NY       | 36                                                                                | 273                                                           | 24                                                  | 284                             | 308   |                             | 1988                                                             |
| MENANDS, NY           | 151                                                                               | 82                                                            | 50                                                  | 182                             | 232   | 154                         | 1988                                                             |
| BREWSTER, NY          | 303                                                                               | 75                                                            | 143                                                 | 235                             | 378   | 203                         | 1988                                                             |
| VALATIE, NY           | 166                                                                               | 395                                                           | 91                                                  | 470                             | 561   | 448                         | 1989                                                             |
| CAIRO, NY             | 192                                                                               | 228                                                           | 47                                                  | 373                             | 420   | 284                         | 1988                                                             |
| WEST TAGHKANIC, NY    | 203                                                                               | 148                                                           | 122                                                 | 229                             | 351   | 147                         | 1986                                                             |
| SAYVILLE, NY          | 345                                                                               | 28                                                            | 300                                                 | 72                              | 372   | 24                          | 1998                                                             |
| WANTAGH, NY           | 641                                                                               | 23                                                            | 370                                                 | 293                             | 663   | 145                         | 1998                                                             |
| CENTRAL ISLIP, NY     | 572                                                                               | 17                                                            | 358                                                 | 232                             | 590   | 115                         | 1998                                                             |
| FLUSHING, NY          | 516                                                                               | 22                                                            | 320                                                 | 218                             | 538   | 105                         | 1998                                                             |
| NORTH LINDENHURST, NY | 295                                                                               | 31                                                            | 192                                                 | 134                             | 326   | 76                          | 1998                                                             |
| WYANDANCH, NY         | 415                                                                               | (83)                                                          | 262                                                 | 71                              | 333   |                             | 1998                                                             |
| NEW ROCHELLE, NY      | 395                                                                               | 40                                                            | 252                                                 | 183                             | 435   | 89                          | 1998                                                             |
| FLORAL PARK, NY       | 617                                                                               | 98                                                            | 356                                                 | 358                             | 714   | 142                         | 1998                                                             |
| RIVERHEAD, NY         | 723                                                                               |                                                               | 432                                                 | 292                             | 724   | 156                         | 1998                                                             |
| AMHERST, NY           | 223                                                                               | 42                                                            | 173                                                 | 92                              | 265   | 36                          | 2000                                                             |
| BUFFALO, NY           | 312                                                                               | 32                                                            | 151                                                 | 193                             | 344   | 92                          | 2000                                                             |
| HAMBURG, NY           | 294                                                                               | 21                                                            | 164                                                 | 151                             | 315   | 65                          | 2000                                                             |
| LACKAWANNA, NY        | 250                                                                               | 103                                                           | 130                                                 | 223                             | 353   | 70                          | 2000                                                             |
| TONAWANDA, NY         | 264                                                                               | 33                                                            | 211                                                 | 85                              | 296   | 49                          | 2000                                                             |
| WEST SENECA, NY       | 257                                                                               | 47                                                            | 184                                                 | 120                             | 304   | 36                          | 2000                                                             |
| WILLIAMSVILLE, NY     | 212                                                                               | 21                                                            | 177                                                 | 56                              | 233   | 18                          | 2000                                                             |
| ALFRED STATION, NY    | 714                                                                               |                                                               | 414                                                 | 300                             | 714   | 70                          | 2006                                                             |
| AVOCA, NY             | 936                                                                               | (1)                                                           | 635                                                 | 300                             | 935   | 70                          | 2006                                                             |
| BATAVIA, NY           | 684                                                                               |                                                               | 364                                                 | 320                             | 684   | 75                          | 2006                                                             |
| BYRON, NY             | 969                                                                               |                                                               | 669                                                 | 300                             | 969   | 70                          | 2006                                                             |
| CASTILE, NY           | 307                                                                               |                                                               | 132                                                 | 175                             | 307   | 41                          | 2006                                                             |
| CHURCHVILLE, NY       | 1,011                                                                             |                                                               | 601                                                 | 410                             | 1,011 | 96                          | 2006                                                             |
| EAST PEMBROKE, NY     | 787                                                                               |                                                               | 537                                                 | 250                             | 787   | 58                          | 2006                                                             |
| FRIENDSHIP, NY        | 393                                                                               |                                                               | 43                                                  | 350                             | 393   | 82                          | 2006                                                             |
| NAPLES, NY            | 1,257                                                                             |                                                               | 827                                                 | 430                             | 1,257 | 100                         | 2006                                                             |
| ROCHESTER, NY         | 559                                                                               |                                                               | 159                                                 | 400                             | 559   | 93                          | 2006                                                             |
| PERRY, NY             | 1,444                                                                             |                                                               | 1,044                                               | 400                             | 1,444 | 93                          | 2006                                                             |
| PRATTSBURG, NY        | 553                                                                               |                                                               | 303                                                 | 250                             | 553   | 58                          | 2006                                                             |
| SAVONA, NY            | 1,314                                                                             |                                                               | 964                                                 | 350                             | 1,314 | 82                          | 2006                                                             |
| WARSAW, NY            | 990                                                                               |                                                               | 690                                                 | 300                             | 990   | 70                          | 2006                                                             |
| WELLSVILLE, NY        | 247                                                                               |                                                               |                                                     | 247                             | 247   | 58                          | 2006                                                             |
| ROCHESTER, NY         | 853                                                                               |                                                               | 303                                                 | 550                             | 853   | 128                         | 2006                                                             |
| LAKEVILLE, NY         | 1,028                                                                             |                                                               | 203                                                 | 825                             | 1,028 | 196                         | 2008                                                             |
| GREIGSVILLE, NY       | 1,018                                                                             |                                                               | 203                                                 | 815                             | 1,018 | 192                         | 2008                                                             |
| ROCHESTER, NY         | 595                                                                               |                                                               | 305                                                 | 290                             | 595   | 50                          | 2008                                                             |
| PHILADELPHIA, PA      | 637                                                                               | (162)                                                         | 416                                                 | 59                              | 475   |                             | 1985                                                             |
| PHILADELPHIA, PA      | 237                                                                               | 227                                                           | 154                                                 | 310                             | 464   | 224                         | 1985                                                             |

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|                       |     |     |     |     |     |     |      |
|-----------------------|-----|-----|-----|-----|-----|-----|------|
| ALLENTOWN, PA         | 358 | 114 | 233 | 239 | 472 | 137 | 1985 |
| NORRISTOWN, PA        | 241 | 130 | 157 | 214 | 371 | 114 | 1985 |
| BRYN MAWR, PA         | 221 | 94  | 144 | 172 | 316 | 102 | 1985 |
| CONSHOHOCKEN, PA      | 261 | 93  | 170 | 185 | 355 | 128 | 1985 |
| PHILADELPHIA, PA      | 281 | 76  | 183 | 174 | 357 | 90  | 1985 |
| HUNTINGDON VALLEY, PA | 422 | 79  | 275 | 226 | 501 | 144 | 1985 |
| FEASTERVILLE, PA      | 510 | 202 | 332 | 380 | 712 | 249 | 1985 |
| PHILADELPHIA, PA      | 285 | 66  | 186 | 166 | 352 | 121 | 1985 |
| PHILADELPHIA, PA      | 289 | 85  | 188 | 186 | 374 | 107 | 1985 |

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|---------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                     |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total | Accumulated<br>Depreciation |                                                                  |
| PHILADELPHIA, PA    | 406                                                                               | 263                                                           | 264                                                 | 405                             | 669   | 280                         | 1985                                                             |
| PHILADELPHIA, PA    | 418                                                                               | 243                                                           | 272                                                 | 388                             | 660   | 260                         | 1985                                                             |
| PHILADELPHIA, PA    | 370                                                                               | 309                                                           | 241                                                 | 438                             | 679   | 323                         | 1985                                                             |
| HATBORO, PA         | 285                                                                               | 97                                                            | 186                                                 | 197                             | 383   | 118                         | 1985                                                             |
| HAVERTOWN, PA       | 402                                                                               | 53                                                            | 254                                                 | 201                             | 455   | 111                         | 1985                                                             |
| MEDIA, PA           | 326                                                                               | 66                                                            | 191                                                 | 201                             | 392   | 115                         | 1985                                                             |
| PHILADELPHIA, PA    | 390                                                                               | 55                                                            | 254                                                 | 191                             | 445   | 104                         | 1985                                                             |
| PHILADELPHIA, PA    | 342                                                                               | 257                                                           | 222                                                 | 376                             | 598   | 258                         | 1985                                                             |
| ALDAN, PA           | 281                                                                               | 80                                                            | 183                                                 | 178                             | 361   | 98                          | 1985                                                             |
| BRISTOL, PA         | 431                                                                               | 83                                                            | 280                                                 | 233                             | 513   | 167                         | 1985                                                             |
| TREVOSE, PA         | 215                                                                               | 19                                                            | 150                                                 | 85                              | 235   | 82                          | 1987                                                             |
| HAVERTOWN, PA       | 265                                                                               | 67                                                            | 173                                                 | 159                             | 332   | 77                          | 1985                                                             |
| ABINGTON, PA        | 309                                                                               | 44                                                            | 201                                                 | 152                             | 353   | 104                         | 1985                                                             |
| HATBORO, PA         | 289                                                                               | 103                                                           | 188                                                 | 204                             | 392   | 119                         | 1985                                                             |
| CLIFTON HGTS., PA   | 428                                                                               | 3                                                             | 217                                                 | 214                             | 431   |                             | 1985                                                             |
| ALDAN, PA           | 434                                                                               | 63                                                            | 283                                                 | 215                             | 498   | 107                         | 1985                                                             |
| SHARON HILL, PA     | 411                                                                               | 40                                                            | 267                                                 | 184                             | 451   | 120                         | 1985                                                             |
| MEDIA, PA           | 474                                                                               | 5                                                             | 309                                                 | 170                             | 479   | 97                          | 1985                                                             |
| ROSLYN, PA          | 350                                                                               | (88)                                                          | 198                                                 | 63                              | 261   |                             | 1985                                                             |
| CLIFTON HGTS, PA    | 213                                                                               | 89                                                            | 139                                                 | 163                             | 302   | 90                          | 1985                                                             |
| PHILADELPHIA, PA    | 370                                                                               | 296                                                           | 241                                                 | 425                             | 666   | 333                         | 1985                                                             |
| MORRISVILLE, PA     | 378                                                                               | 76                                                            | 246                                                 | 207                             | 453   | 108                         | 1985                                                             |
| PHILADELPHIA, PA    | 303                                                                               | 242                                                           | 181                                                 | 363                             | 544   | 312                         | 1985                                                             |
| PHOENIXVILLE, PA    | 384                                                                               | (99)                                                          | 205                                                 | 80                              | 285   |                             | 1985                                                             |
| POTTSTOWN, PA       | 430                                                                               | 91                                                            | 280                                                 | 241                             | 521   | 134                         | 1985                                                             |
| BOYERTOWN, PA       | 233                                                                               | 5                                                             | 152                                                 | 87                              | 239   | 51                          | 1985                                                             |
| QUAKERTOWN, PA      | 379                                                                               | 114                                                           | 243                                                 | 250                             | 493   | 168                         | 1985                                                             |
| SOUDERTON, PA       | 382                                                                               | 214                                                           | 249                                                 | 347                             | 596   | 230                         | 1985                                                             |
| LANSDALE, PA        | 244                                                                               | 218                                                           | 244                                                 | 218                             | 462   | 137                         | 1985                                                             |
| FURLONG, PA         | 175                                                                               | 193                                                           | 175                                                 | 193                             | 368   | 111                         | 1985                                                             |
| DOYLESTOWN, PA      | 406                                                                               | 75                                                            | 264                                                 | 216                             | 480   | 113                         | 1985                                                             |
| RICHBORO, PA        | 97                                                                                | 156                                                           | 55                                                  | 198                             | 253   | 72                          | 1987                                                             |
| PENNDDEL, PA        | 137                                                                               | 281                                                           | 90                                                  | 329                             | 419   | 79                          | 1988                                                             |
| NORRISTOWN, PA      | 175                                                                               | 147                                                           | 175                                                 | 147                             | 322   | 79                          | 1985                                                             |
| TRAPPE, PA          | 378                                                                               | 83                                                            | 246                                                 | 214                             | 460   | 119                         | 1985                                                             |
| PARADISE, PA        | 132                                                                               | 151                                                           | 102                                                 | 181                             | 283   | 181                         | 1986                                                             |
| READING, PA         | 750                                                                               | 49                                                            |                                                     | 799                             | 799   | 797                         | 1989                                                             |
| ELKINS PARK, PA     | 275                                                                               | 47                                                            | 200                                                 | 122                             | 322   | 93                          | 1990                                                             |
| NEW OXFORD, PA      | 1,045                                                                             | 86                                                            | 19                                                  | 1,112                           | 1,131 | 947                         | 1996                                                             |
| PHILADELPHIA, PA    | 1,252                                                                             |                                                               | 814                                                 | 438                             | 1,252 | 42                          | 2009                                                             |
| ALLISON PARK, PA    | 1,500                                                                             |                                                               | 850                                                 | 650                             | 1,500 | 92                          | 2010                                                             |
| NEW KENSINGTON      | 1,375                                                                             |                                                               | 675                                                 | 700                             | 1,375 | 52                          | 2010                                                             |
| NORTH KINGSTOWN, RI | 212                                                                               | 93                                                            | 89                                                  | 215                             | 304   | 150                         | 1985                                                             |
| MIDDLETOWN, RI      | 307                                                                               | 42                                                            | 177                                                 | 172                             | 349   | 146                         | 1987                                                             |
| WARWICK, RI         | 377                                                                               | 72                                                            | 206                                                 | 242                             | 448   | 210                         | 1989                                                             |
| PROVIDENCE, RI      | 231                                                                               | 213                                                           | 150                                                 | 294                             | 444   | 184                         | 1991                                                             |
| EAST PROVIDENCE, RI | 2,297                                                                             | 568                                                           | 1,496                                               | 1,370                           | 2,866 | 891                         | 1985                                                             |
| ASHAWAY, RI         | 619                                                                               |                                                               | 402                                                 | 217                             | 619   | 62                          | 2004                                                             |
| EAST PROVIDENCE, RI | 310                                                                               | 80                                                            | 202                                                 | 188                             | 390   | 110                         | 1985                                                             |
| PAWTUCKET, RI       | 213                                                                               | 194                                                           | 119                                                 | 288                             | 407   | 256                         | 1986                                                             |
| WARWICK, RI         | 435                                                                               | 55                                                            | 267                                                 | 223                             | 490   | 130                         | 1985                                                             |
| CRANSTON, RI        | 466                                                                               | 54                                                            | 304                                                 | 216                             | 520   | 105                         | 1985                                                             |

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|                     |     |       |     |     |     |     |      |
|---------------------|-----|-------|-----|-----|-----|-----|------|
| PAWTUCKET, RI       | 207 | 45    | 154 | 98  | 252 | 48  | 1985 |
| BARRINGTON, RI      | 490 | 242   | 319 | 413 | 732 | 308 | 1985 |
| WARWICK, RI         | 253 | 76    | 165 | 165 | 330 | 84  | 1985 |
| N. PROVIDENCE, RI   | 542 | 90    | 353 | 280 | 633 | 167 | 1985 |
| EAST PROVIDENCE, RI | 487 | 41    | 317 | 212 | 529 | 146 | 1985 |
| WAKEFIELD, RI       | 356 | (118) | 143 | 95  | 238 |     | 1985 |
| EPHRATA, PA         | 183 | 97    | 137 | 144 | 281 | 144 | 1990 |
| POTTSVILLE, PA      | 162 | 114   | 43  | 233 | 276 | 200 | 1990 |
| POTTSVILLE, PA      | 451 | 51    | 148 | 355 | 503 | 320 | 1990 |

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|----------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------------------|
|                      |                                                                                   |                                                               | Land                                                | Building<br>and<br>Improvements | Total | Accumulated<br>Depreciation |                                                                  |
| LANCASTER, PA        | 209                                                                               | 53                                                            | 78                                                  | 184                             | 262   | 155                         | 1989                                                             |
| LANCASTER, PA        | 642                                                                               | 43                                                            | 300                                                 | 385                             | 685   | 360                         | 1989                                                             |
| HAMBURG, PA          | 219                                                                               | 76                                                            | 130                                                 | 165                             | 295   | 165                         | 1989                                                             |
| READING, PA          | 183                                                                               | 125                                                           | 104                                                 | 203                             | 307   | 155                         | 1989                                                             |
| MOUNTVILLE, PA       | 196                                                                               | 48                                                            | 78                                                  | 165                             | 243   | 137                         | 1989                                                             |
| EBENEZER, PA         | 147                                                                               | 131                                                           | 69                                                  | 209                             | 278   | 157                         | 1989                                                             |
| INTERCOURSE, PA      | 312                                                                               | 81                                                            | 158                                                 | 235                             | 393   | 128                         | 1989                                                             |
| REINHOLDS, PA        | 177                                                                               | 84                                                            | 82                                                  | 178                             | 260   | 173                         | 1989                                                             |
| COLUMBIA, PA         | 226                                                                               | 13                                                            | 75                                                  | 164                             | 239   | 156                         | 1989                                                             |
| OXFORD, PA           | 191                                                                               | 160                                                           | 65                                                  | 287                             | 352   | 234                         | 1989                                                             |
| EPHRATA, PA          | 209                                                                               | 87                                                            | 30                                                  | 266                             | 296   | 193                         | 1989                                                             |
| ROBESONIA, PA        | 226                                                                               | 103                                                           | 70                                                  | 259                             | 329   | 252                         | 1989                                                             |
| KENHORST, PA         | 143                                                                               | 129                                                           | 65                                                  | 207                             | 272   | 173                         | 1989                                                             |
| NEFFSVILLE, PA       | 235                                                                               | 46                                                            | 91                                                  | 189                             | 280   | 189                         | 1989                                                             |
| LEOLA, PA            | 263                                                                               | 102                                                           | 131                                                 | 234                             | 365   | 142                         | 1989                                                             |
| RED LION, PA         | 222                                                                               | 31                                                            | 52                                                  | 200                             | 252   | 199                         | 1989                                                             |
| READING, PA          | 129                                                                               | 180                                                           | 65                                                  | 244                             | 309   | 189                         | 1989                                                             |
| HANOVER, PA          | 231                                                                               | 101                                                           | 70                                                  | 262                             | 332   | 168                         | 1989                                                             |
| HARRISBURG, PA       | 399                                                                               | 369                                                           | 199                                                 | 570                             | 769   | 391                         | 1989                                                             |
| ADAMSTOWN, PA        | 213                                                                               | 151                                                           | 100                                                 | 264                             | 364   | 199                         | 1989                                                             |
| LANCASTER, PA        | 309                                                                               | 126                                                           | 104                                                 | 330                             | 434   | 282                         | 1989                                                             |
| NEW HOLLAND, PA      | 313                                                                               | 251                                                           | 143                                                 | 420                             | 563   | 266                         | 1989                                                             |
| WYOMISSING HILLS, PA | 319                                                                               | 113                                                           | 76                                                  | 356                             | 432   | 356                         | 1989                                                             |
| LAURELDALE, PA       | 262                                                                               | 16                                                            | 87                                                  | 191                             | 278   | 191                         | 1989                                                             |
| REIFFTON, PA         | 338                                                                               | 5                                                             | 43                                                  | 300                             | 343   | 300                         | 1989                                                             |
| W.READING, PA        | 790                                                                               | 69                                                            | 388                                                 | 472                             | 860   | 472                         | 1989                                                             |
| ARENDTSVILLE, PA     | 174                                                                               | 143                                                           | 33                                                  | 284                             | 317   | 232                         | 1989                                                             |
| MOHNTON, PA          | 317                                                                               | 91                                                            | 66                                                  | 342                             | 408   | 300                         | 1989                                                             |
| MCCONNELLSBURG, PA   | 155                                                                               | 188                                                           | 70                                                  | 273                             | 343   | 160                         | 1989                                                             |
| CRESTLINE, OH        | 1,202                                                                             |                                                               | 285                                                 | 917                             | 1,202 | 148                         | 2008                                                             |
| MANSFIELD, OH        | 921                                                                               |                                                               | 332                                                 | 590                             | 922   | 89                          | 2008                                                             |
| MANSFIELD, OH        | 1,950                                                                             |                                                               | 700                                                 | 1,250                           | 1,950 | 172                         | 2009                                                             |
| MONROEVILLE, OH      | 2,580                                                                             |                                                               | 485                                                 | 2,095                           | 2,580 | 248                         | 2009                                                             |
| RICHMOND, VA         | 121                                                                               | 210                                                           |                                                     | 331                             | 331   | 290                         | 1990                                                             |
| CHESAPEAKE, VA       | 780                                                                               | (162)                                                         | 398                                                 | 219                             | 617   |                             | 1990                                                             |
| PORTSMOUTH, VA       | 562                                                                               | 53                                                            | 222                                                 | 394                             | 616   | 357                         | 1990                                                             |
| NORFOLK, VA          | 535                                                                               | 6                                                             | 311                                                 | 230                             | 541   | 230                         | 1990                                                             |
| ASHLAND, VA          | 840                                                                               |                                                               | 840                                                 |                                 | 840   |                             | 2005                                                             |
| FARMVILLE, VA        | 1,227                                                                             |                                                               | 622                                                 | 605                             | 1,227 | 163                         | 2005                                                             |
| FREDERICKSBURG, VA   | 1,279                                                                             |                                                               | 469                                                 | 810                             | 1,279 | 219                         | 2005                                                             |
| FREDERICKSBURG, VA   | 1,716                                                                             |                                                               | 996                                                 | 720                             | 1,716 | 194                         | 2005                                                             |
| FREDERICKSBURG, VA   | 1,289                                                                             |                                                               | 798                                                 | 491                             | 1,289 | 150                         | 2005                                                             |
| FREDERICKSBURG, VA   | 3,623                                                                             |                                                               | 2,828                                               | 795                             | 3,623 | 215                         | 2005                                                             |
| GLEN ALLEN, VA       | 1,037                                                                             |                                                               | 412                                                 | 625                             | 1,037 | 169                         | 2005                                                             |
| GLEN ALLEN, VA       | 1,077                                                                             |                                                               | 322                                                 | 755                             | 1,077 | 204                         | 2005                                                             |
| KING GEORGE, VA      | 294                                                                               |                                                               | 294                                                 |                                 | 294   |                             | 2005                                                             |
| KING WILLIAM, VA     | 1,688                                                                             |                                                               | 1,068                                               | 620                             | 1,688 | 167                         | 2005                                                             |
| MECHANICSVILLE, VA   | 1,125                                                                             |                                                               | 505                                                 | 620                             | 1,125 | 167                         | 2005                                                             |
| MECHANICSVILLE, VA   | 903                                                                               |                                                               | 273                                                 | 630                             | 903   | 170                         | 2005                                                             |
| MECHANICSVILLE, VA   | 1,476                                                                             |                                                               | 876                                                 | 600                             | 1,476 | 162                         | 2005                                                             |
| MECHANICSVILLE, VA   | 957                                                                               |                                                               | 324                                                 | 633                             | 957   | 206                         | 2005                                                             |
| MECHANICSVILLE, VA   | 1,677                                                                             |                                                               | 1,157                                               | 520                             | 1,677 | 140                         | 2005                                                             |

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|                    |       |       |     |       |     |      |
|--------------------|-------|-------|-----|-------|-----|------|
| MECHANICSVILLE, VA | 1,043 | 223   | 820 | 1,043 | 221 | 2005 |
| MONTPELIER, VA     | 2,481 | 1,726 | 755 | 2,481 | 204 | 2005 |
| PETERSBURG, VA     | 1,441 | 816   | 625 | 1,441 | 169 | 2005 |
| RICHMOND, VA       | 1,132 | 547   | 585 | 1,132 | 158 | 2005 |
| RUTHER GLEN, VA    | 466   | 31    | 435 | 466   | 117 | 2005 |
| SANDSTON, VA       | 722   | 102   | 620 | 722   | 167 | 2005 |
| SPOTSYLVANIA, VA   | 1,290 | 490   | 800 | 1,290 | 216 | 2005 |
| CHESAPEAKE, VA     | 1,004 | 39    | 385 | 1,043 | 626 | 1990 |
| BENNINGTON, VT     | 309   | (24)  | 181 | 104   | 285 | 1985 |

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|                  | Initial Cost<br>of Leasehold<br>or Acquisition<br>Investment<br>to<br>Company (1) | Cost<br>Capitalized<br>Subsequent<br>to Initial<br>Investment | Gross Amount at Which Carried<br>at Close of Period |                              |            | Accumulated<br>Depreciation | Date of Initial<br>Leasehold or<br>Acquisition<br>Investment (1) |
|------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|------------------------------|------------|-----------------------------|------------------------------------------------------------------|
|                  |                                                                                   |                                                               | Land                                                | Building and<br>Improvements | Total      |                             |                                                                  |
| JACKSONVILLE, FL | 560                                                                               |                                                               | 296                                                 | 263                          | 559        | 131                         | 2000                                                             |
| JACKSONVILLE, FL | 486                                                                               |                                                               | 388                                                 | 97                           | 485        | 48                          | 2000                                                             |
| JACKSONVILLE, FL | 545                                                                               |                                                               | 256                                                 | 289                          | 545        | 143                         | 2000                                                             |
| ORLANDO, FL      | 868                                                                               |                                                               | 401                                                 | 466                          | 867        | 231                         | 2000                                                             |
| miscellaneous    | 18,011                                                                            | 12,707                                                        | 10,199                                              | 20,519                       | 30,718     | 14,688                      | various                                                          |
|                  | \$ 522,427                                                                        | \$ 93,427                                                     | \$ 345,473                                          | \$ 270,381                   | \$ 615,854 | \$ 137,117                  |                                                                  |

- (1) Initial cost of leasehold or acquisition investment to company represents the aggregate of the cost incurred during the year in which we purchased the property for owned properties or purchased a leasehold interest in leased properties. Cost capitalized subsequent to initial investment also includes investments made in previously leased properties prior to their acquisition.
- (2) Depreciation of real estate is computed on the straight-line method based upon the estimated useful lives of the assets, which generally range from sixteen to 25 years for buildings and improvements, or the term of the lease if shorter. Leasehold interests are amortized over the remaining term of the underlying lease.
- (3) The aggregate cost for federal income tax purposes was approximately \$629,624,000 at December 31, 2011.

**Table of Contents****MORTGAGE LOANS ON REAL ESTATE****GETTY REALTY CORP. and SUBSIDIARIES****SCHEDULE IV MORTGAGE LOANS ON REAL ESTATE****As of December 31, 2011****(in thousands)**

| Type of                |                    |                            |               |                     |                            |             |                         |                             |  |
|------------------------|--------------------|----------------------------|---------------|---------------------|----------------------------|-------------|-------------------------|-----------------------------|--|
| Loan/Borrower          | Description        | Location(s)                | Interest Rate | Final Maturity Date | Periodic Payment Terms (a) | Prior Liens | Face Amount of Mortgage | Carrying Amount of Mortgage |  |
| <b>Mortgage Loans:</b> |                    |                            |               |                     |                            |             |                         |                             |  |
| Borrower A             | Sale               | S. Weymouth, MA            | 9.0%          | 3/2031              | P & I                      |             | \$ 240                  | \$ 238                      |  |
| Borrower B             | Sale               | Horsham, PA                | 10.0%         | 7/2024              | P & I                      |             | 228                     | 196                         |  |
| Borrower C             | Sale               | Reading, PA                | 10.0%         | 8/2014              | P & I                      |             | 130                     | 48                          |  |
| Borrower D             | Sale               | Hereford, MD               | 9.0%          | 8/2014              | P & I                      |             | 95                      | 4                           |  |
| Borrower E             | Sale               | Green Island, NY           | 11.0%         | 8/2018              | P & I                      |             | 260                     | 230                         |  |
| Borrower F             | Sale               | Middle Island, NY          | 10.0%         | 6/2012              | P & I                      |             | 225                     | 14                          |  |
| Borrower G             | Sale               | Uniondale, NY              | 10.0%         | 3/2015              | P & I                      |             | 180                     | 79                          |  |
| Borrower H             | Sale               | Concord, NH                | 10.0%         | 8/2028              | P & I                      |             | 210                     | 196                         |  |
| Borrower I             | Sale               | Irvington, NJ              | 9.5%          | 12/2019             | P & I                      |             | 300                     | 263                         |  |
| Borrower J             | Sale               | Kernersville/Lexington, NC | 9.5%          | 7/2026              | P & I                      |             | 568                     | 550                         |  |
| Borrower K             | Sale               | W. Yarmouth, MA            | 9.0%          | 11/2018             | P & I                      |             | 260                     | 260                         |  |
|                        |                    |                            |               |                     |                            |             | 2,696                   | 2,078                       |  |
| <b>Note receivable</b> | Purchase/leaseback | Various-NY                 | 9.5%          | 1/2021              | I(b)                       |             | 18,400                  | 16,560                      |  |
| <b>Total</b>           |                    |                            |               |                     |                            |             | <b>\$ 21,096</b>        | <b>\$ 18,638</b>            |  |

(a) P &amp; I = Principal and interest paid monthly

(b) I = Interest only paid monthly with annual principal payments due in ten equal installments

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Getty Realty Corp.

(Registrant)

By: /s/ THOMAS J. STIRNWEIS  
**Thomas J. Stirnweis,**  
**Vice President, Treasurer and**  
**Chief Financial Officer**  
**March 15, 2012**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ DAVID B. DRISCOLL  
**David B. Driscoll**  
  
**President, Chief Executive Officer and Director**  
  
**(Principal Executive Officer)**  
  
**March 15, 2012**

By: /s/ THOMAS J. STIRNWEIS  
**Thomas J. Stirnweis**  
  
**Vice President, Treasurer and Chief Financial Officer**  
  
**(Principal Financial and Accounting Officer)**  
  
**March 15, 2012**

By: /s/ LEO LIEBOWITZ  
**Leo Liebowitz**  
  
**Director and Chairman of the Board**  
  
**March 15, 2012**

By: /s/ PHILIP E. COVIELLO  
**Philip E. Coviello**  
  
**Director**  
  
**March 15, 2012**

By: /s/ MILTON COOPER  
**Milton Cooper**  
  
**Director**  
  
**March 15, 2012**

By: /s/ RICHARD E. MONTAG  
**Richard E. Montag**  
  
**Director**  
  
**March 15, 2012**

By: /s/ HOWARD SAFENOWITZ  
**Howard Safenowitz**  
  
**Director**  
  
**March 15, 2012**

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**EXHIBIT INDEX**

**GETTY REALTY CORP.**

**Annual Report on Form 10-K**

**for the year ended December 31, 2011**

| <b>EXHIBIT NO.</b> | <b>DESCRIPTION</b>                                                                                                                                                                                                  |                                                                                                                                                                                                                                                     |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1                | Agreement and Plan of Reorganization and Merger, dated as of December 16, 1997 (the "Merger Agreement") by and among Getty Realty Corp., Power Test Investors Limited Partnership and CLS General Partnership Corp. | Filed as Exhibit 2.1 to Company's Registration Statement on Form S-4, filed on January 12, 1998 (File No. 333-44065), included as Appendix A To the Joint Proxy Statement/Prospectus that is a part thereof, and incorporated herein by reference.  |
| 3.1                | Articles of Incorporation of Getty Realty Holding Corp. ( "Holdings"), now known as Getty Realty Corp., filed December 23, 1997.                                                                                    | Filed as Exhibit 3.1 to Company's Registration Statement on Form S-4, filed on <u>January 12, 1998</u> (File No. 333- 44065), included as Appendix D. to the Joint Proxy/Prospectus that is a part thereof, and incorporated herein by reference.   |
| 3.2                | Articles Supplementary to Articles of Incorporation of Holdings, filed January 21, 1998.                                                                                                                            | Filed as Exhibit 3.2 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.                                                                                        |
| 3.3                | By-Laws of Getty Realty Corp.                                                                                                                                                                                       | Filed as Exhibit 3.3 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.                                                                                        |
| 3.4                | Articles of Amendment of Holdings, changing its name to Getty Realty Corp., filed January 30, 1998.                                                                                                                 | Filed as Exhibit 3.4 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.                                                                                        |
| 3.5                | Amendment to Articles of Incorporation of Holdings, filed August 1, 2001.                                                                                                                                           | Filed as Exhibit 3.5 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.                                                                                        |
| 4.1                | Dividend Reinvestment/Stock Purchase Plan.                                                                                                                                                                          | Filed under the heading "Description of Plan" on pages 4 through 17 to Company's Registration Statement on Form S-3D, filed on April 22, 2004 (File No. 333-114730) and incorporated herein by reference.                                           |
| 10.1*              | Retirement and Profit Sharing Plan (amended and restated as of January 1, 2010), adopted by the Company on April 26, 2010.                                                                                          | Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 30, 2010 (File No. 001-13777) and incorporated herein by reference.                                                                                                   |
| 10.2*              | 1998 Stock Option Plan, effective as of January 30, 1998.                                                                                                                                                           | Filed as Exhibit 10.1 to Company's Registration Statement on Form S-4, filed on January 12, 1998 (File No. 333-44065), included as Appendix H to the Joint Proxy Statement/Prospectus that is a part thereof, and incorporated herein by reference. |
| 10.3**             | Asset Purchase Agreement among Power Test Corp. (now known as Getty Properties Corp.), Texaco Inc., Getty Oil Company and Getty Refining and Marketing Company, dated as of December 21, 1984.                      | Filed as Exhibit 10.3 to Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (File No. 001-13777) and incorporated herein by reference.                                                                                 |
| 10.4               | Assignment of Trademark Registrations                                                                                                                                                                               | Filed as Exhibit 10.4 to Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2007 (File No. 001-13777) and incorporated herein by reference.                                                                                 |

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|       |                                                                          |                                                                                                                                                               |
|-------|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.5* | Form of Indemnification Agreement between the Company and its directors. | Filed as Exhibit 10.5 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference. |
|-------|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|

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|         |                                                                                                                                                                                                                                                     |                                                                                                                                                                     |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.6*   | Amended and Restated Supplemental Retirement Plan for Executives of the Getty Realty Corp. and Participating Subsidiaries (adopted by the Company on December 16, 1997 and amended and restated effective January 1, 2009).                         | Filed as Exhibit 10.6 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.       |
| 10.7*   | Letter Agreement dated June 12, 2001 by and between Getty Realty Corp. and Thomas J. Stirnweis regarding compensation upon change in control.                                                                                                       | Filed as Exhibit 10.7 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.       |
| 10.8    | Form of Reorganization and Distribution Agreement between Getty Petroleum Corp. (now known as Getty Properties Corp.) and Getty Petroleum Marketing Inc. dated as of February 1, 1997.                                                              | Filed as Exhibit 10.8 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.       |
| 10.9    | Form of Tax Sharing Agreement between Getty Petroleum Corp (now known as Getty Properties Corp.) and Getty Petroleum Marketing Inc.                                                                                                                 | Filed as Exhibit 10.9 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.       |
| 10.10   | Consolidated, Amended and Restated Master Lease Agreement dated November 2, 2000 between Getty Properties Corp. and Getty Petroleum Marketing Inc.                                                                                                  | Filed as Exhibit 10.10 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.      |
| 10.11   | Environmental Indemnity Agreement dated November 2, 2000 between Getty Properties Corp. and Getty Petroleum Marketing Inc.                                                                                                                          | Filed as Exhibit 10.3 to Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (File No. 001-13777) and incorporated herein by reference. |
| 10.12   | Amended and Restated Trademark License Agreement, dated November 2, 2000, between Getty Properties Corp. and Getty Petroleum Marketing Inc.                                                                                                         | Filed as Exhibit 10.3 to Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (File No. 001-13777) and incorporated herein by reference. |
| 10.13   | Trademark License Agreement, dated November 2, 2000, between Getty Corp. and Getty Petroleum Marketing Inc.                                                                                                                                         | Filed as Exhibit 10.3 to Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (File No. 001-13777) and incorporated herein by reference. |
| 10.14*  | 2004 Getty Realty Corp. Omnibus Incentive Compensation Plan.                                                                                                                                                                                        | Filed as Exhibit 10.3 to Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (File No. 001-13777) and incorporated herein by reference. |
| 10.15*  | Form of restricted stock unit grant award under the 2004 Getty Realty Corp. Omnibus Incentive Compensation Plan, as amended.                                                                                                                        | Filed as Exhibit 10.15 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.      |
| 10.16** | Contract for Sale and Purchase between Getty Properties Corp. and various subsidiaries of Truststreet Properties, Inc. dated as of February 6, 2007.                                                                                                | Filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-13777) and incorporated herein by reference.  |
| 10.17   | Senior Unsecured Credit Agreement dated as of March 27, 2007 with J. P. Morgan Securities Inc., as sole bookrunner and sole lead arranger, the lenders referred to therein, and JPMorgan Chase Bank, N.A., as administrative agent for the lenders. | Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 2, 2007 (File No. 001-13777) and incorporated herein by reference.                    |
| 10.18*  | Amendment to the 2004 Getty Realty Corp. Omnibus Incentive Compensation Plan dated December 31, 2008.                                                                                                                                               | Filed as Exhibit 10.19 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.      |
| 10.19*  | Amendment dated December 31, 2008 to Letter Agreement dated June 12, 2001 by and between Getty Realty Corp. and Thomas J. Stirnweis regarding compensation upon change of control. (See Exhibit 10.7).                                              | Filed as Exhibit 10.20 to Company's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13777) and incorporated herein by reference.      |



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|         |                                                                                                                                                                                                                                     |                                                                                                                                                                     |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.20   | Unitary Net Lease Agreement between GTY MD Leasing, Inc. and White Oak Petroleum LLC, dated as of September 25, 2009.                                                                                                               | Filed as Exhibit 10.1 to Company's Current Report on Form 8-K filed September 25, 2009 (File No. 001-13777) and incorporated herein by reference.                   |
| 10.21   | Loan Agreement among GTY MD Leasing, Inc., Getty Properties Corp., Getty Realty Corp., and TD Bank, dated as of September 25, 2009.                                                                                                 | Filed as Exhibit 10.2 to Company's Current Report on Form 8-K filed September 25, 2009 (File No. 001-13777) and incorporated herein by reference.                   |
| 10.22** | Unitary Net Lease Agreement between GTY NY Leasing, Inc. and CPD NY Energy Corp., dated as of January 13, 2011.                                                                                                                     | Filed as Exhibit 10.1 to Company's Quarterly Report on Form 10-Q filed April, 12, 2011 (File No. 001-13777) and incorporated herein by reference.                   |
| 10.23   | Stipulation and order Deferring Rents Owing to Getty Properties, Establishing Procedures for the Administration of the Chapter 11 Cases, Extending the Time for the Debtors to Assume or Reject the Master Lease and Other Matters. | Filed as Exhibit 99.2 to Company's Current Report on Form 8-K filed March 9, 2012 (File No. 001-13777) and incorporated herein by reference.                        |
| 14      | The Getty Realty Corp. Business Conduct Guidelines (Code of Ethics).                                                                                                                                                                | Filed as Exhibit 10.3 to Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (File No. 001-13777) and incorporated herein by reference. |
| 21      | Subsidiaries of the Company.                                                                                                                                                                                                        | (a)                                                                                                                                                                 |
| 23      | Consent of Independent Registered Public Accounting Firm.                                                                                                                                                                           | (a)                                                                                                                                                                 |
| 31(i).1 | Rule 13a-14(a) Certification of Chief Financial Officer.                                                                                                                                                                            | (b)                                                                                                                                                                 |
| 31(i).2 | Rule 13a-14(a) Certification of Chief Executive Officer.                                                                                                                                                                            | (b)                                                                                                                                                                 |
| 32.1    | Section 1350 Certification of Chief Executive Officer.                                                                                                                                                                              | (b)                                                                                                                                                                 |
| 32.2    | Section 1350 Certification of Chief Financial Officer.                                                                                                                                                                              | (b)                                                                                                                                                                 |
| 101.INS | XBRL Instance Document                                                                                                                                                                                                              | (c)                                                                                                                                                                 |
| 101.SCH | XBRL Taxonomy Extension Schema                                                                                                                                                                                                      | (c)                                                                                                                                                                 |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase                                                                                                                                                                                        | (c)                                                                                                                                                                 |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase                                                                                                                                                                                              | (c)                                                                                                                                                                 |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase                                                                                                                                                                                       | (c)                                                                                                                                                                 |

(a) Filed herewith

(b) Furnished herewith. These certifications are being furnished solely to accompany the Report pursuant to 18 U.S.C. Section. 1350, and are not being filed for purposes of Section 18 of the Exchange Act, and are not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

(c) Filed herewith. XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

\* Management contract or compensatory plan or arrangement.

\*\* Confidential treatment has been granted for certain portions of this Exhibit pursuant to Rule 24b-2 under the Exchange Act, which portions are omitted and filed separately with the SEC.