

GETTY REALTY CORP /MD/
Form 10-K
March 15, 2012
Table of Contents

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.)

Edgar Filing: GETTY REALTY CORP /MD/ - Form 10-K

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.

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.

**PART OF FORM
10-K**

III

Table of Contents**TABLE OF CONTENTS**

Item	Description	Page
	<u>Cautionary Note Regarding Forward-Looking Statements</u>	3
PART I		
1	<u>Business</u>	5
1A	<u>Risk Factors</u>	10
1B	<u>Unresolved Staff Comments</u>	22
2	<u>Properties</u>	22
3	<u>Legal Proceedings</u>	24
4	<u>Mine Safety Disclosures</u>	28
PART II		
5	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	29
6	<u>Selected Financial Data</u>	31
7	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
7A	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	52
8	<u>Financial Statements and Supplementary Data</u>	53
9	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	84
9A	<u>Controls and Procedures</u>	84
9B	<u>Other Information</u>	84
PART III		
10	<u>Directors, Executive Officers and Corporate Governance</u>	85
11	<u>Executive Compensation</u>	85
12	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	86
13	<u>Certain Relationships and Related Transactions, and Director Independence</u>	86
14	<u>Principal Accountant Fees and Services</u>	86
PART IV		
15	<u>Exhibits and Financial Statement Schedules</u>	86
	<u>Signatures</u>	105
	<u>Exhibit Index</u>	106

Table of Contents

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 similar 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.

Table of Contents

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.

Table of Contents

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

Edgar Filing: GETTY REALTY CORP /MD/ - Form 10-K

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

Table of Contents

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).

Table of Contents

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

Edgar Filing: GETTY REALTY CORP /MD/ - Form 10-K

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

Table of Contents

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.

Table of Contents

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 .)

Table of Contents

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. 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 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.

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 .)

Table of Contents

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);

Edgar Filing: GETTY REALTY CORP /MD/ - Form 10-K

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.

Table of Contents

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.

Table of Contents

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		TOTAL PROPERTIES BY STATE	PERCENT OF TOTAL PROPERTIES
	SUBJECT TO THE MASTER LEASE (1)	OTHER TENANTS	SUBJECT TO THE MASTER LEASE	OTHER TENANTS		
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

Edgar Filing: GETTY REALTY CORP /MD/ - Form 10-K

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

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

Table of Contents

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 LEASES EXPIRING	PERCENT OF TOTAL LEASED PROPERTIES	PERCENT OF TOTAL 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 RENTAL UNITS EXPIRING (b)	ANNUALIZED CONTRACTUAL RENT (a)			PERCENTAGE OF TOTAL ANNUALIZED RENT
		PROPERTIES SUBJECT TO THE MASTER LEASE	OTHER 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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 DIVIDENDS PER SHARE
	HIGH	LOW	
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.

Table of Contents**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)
OPERATING DATA:					
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
FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATION (f):					
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
BALANCE SHEET DATA (AT END OF YEAR):					
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		