

GETTY REALTY CORP /MD/

Form 424B2

January 19, 2011

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**Filed Pursuant to Rule 424(b)(2)
Registration No. 333-165738**

**PROSPECTUS SUPPLEMENT
(To Prospectus Dated April 20, 2010)**

3,000,000 Shares

Getty Realty Corp.

Common Stock

We are offering 3,000,000 shares of our common stock, par value \$0.01 per share.

Our common stock is listed on the New York Stock Exchange under the symbol **GTYY**. The last reported sale price of our common stock on the New York Stock Exchange on January 18, 2011 was \$29.50 per share.

Our common stock is subject to certain restrictions on ownership and transfer designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See **Description of Capital Stock Ownership and Transfer Restrictions** on page 5 of the accompanying prospectus for more information about these restrictions.

Investing in our common stock involves a high degree of risk. See **Risk Factors beginning on page S-7 of this prospectus supplement and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus to read about factors you should consider before buying shares of our common stock.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement and the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ 28.00	\$ 84,000,000
Underwriting discount	\$ 1.26	\$ 3,780,000
Proceeds, before expenses, to Getty Realty Corp.	\$ 26.74	\$ 80,220,000

We have granted the underwriters an option to purchase, within the 30-day period from the date of this prospectus supplement, up to an additional 450,000 shares of our common stock to cover over-allotments.

Delivery of our common stock to purchasers is expected to occur on or about January 24, 2011.

Joint Book-Running Managers

BofA Merrill Lynch

J.P. Morgan

Co-Managers

KeyBanc Capital Markets
Capital One Southcoast

Santander

RBC Capital Markets
TD Securities

The date of this prospectus supplement is January 19, 2011

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Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying

prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering.

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To the extent any inconsistency or conflict exists between the information included or incorporated by reference in this prospectus supplement and the information included or incorporated by reference in the accompanying prospectus, the information included or incorporated by reference in this prospectus supplement updates and supersedes the information in the accompanying prospectus.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. We are not making an offer of these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or incorporated by reference herein is accurate as of any date other than their respective dates or as of other dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

In any member state (Member State) of the European Economic Area (the EEA) that has implemented the Prospectus Directive, this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

This Prospectus has been prepared on the basis that any offer of shares in any Member State of the EEA which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of shares. Accordingly, any person making or intending to make any offer within the EEA of shares which are the subject of the offering contemplated in this prospectus supplement may only do so in circumstances in which no obligation arises for the issuer or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. Neither the issuer nor the underwriters have authorised, nor do they authorise, the making of any offer of shares through any financial intermediary, other than offers made by managers which constitute the final placement of shares contemplated in this prospectus supplement.

NOTICE TO UNITED KINGDOM INVESTORS

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities or other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

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SUMMARY

*This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. Because it is a summary, it may not contain all of the information that is important to you. Before making a decision to invest in our common stock, you should read carefully this entire prospectus supplement and the accompanying prospectus, including the section entitled *How to Obtain More Information* and the sections entitled *Risk Factors* beginning on page S-7 of this prospectus supplement, page 3 of the accompanying prospectus and in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q (which reports are incorporated by reference herein). This summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere in or incorporated by reference into this prospectus supplement and the accompanying prospectus. When used in this prospectus, all references to the company, our company, Getty, we, us and our refer to Getty Realty Corp. and its subsidiaries as a combined entity, except where it is made clear that such terms mean only Getty Realty Corp. The term you refers to a prospective investor. Unless otherwise indicated, the information in this prospectus supplement assumes no exercise of the underwriters' option to purchase additional shares of common stock from us.*

Our Company

We are 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. The operators of our properties are primarily distributors and retailers engaged in the sale of gasoline and other motor fuel products, convenience store products, automotive repair services and fast food. Over the past decade, these lines of business have matured into a single industry as operators 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, 2010, we owned 907 properties and leased 145 properties. Nine of the properties we own are petroleum distribution terminals. Our properties are located primarily in the Northeast and the Mid-Atlantic regions in the United States. The company owns or leases properties in New York, Massachusetts, New Jersey, Pennsylvania, Connecticut, Maryland, Virginia, New Hampshire, Maine, Rhode Island, Texas, North Carolina, Delaware, Hawaii, California, Florida, Ohio, Arkansas, Illinois, North Dakota and Vermont. 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. 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.

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 competitors include petroleum manufacturing, distributing and marketing companies, other REITs, investment funds and private institutional investors.

We have long-term leases with our tenants with historically stable cash flows. Generally, we seek leases with our 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, 2010, our average lease term, weighted by the number of underlying properties, was in excess of 14.9 years, with an average of 5.8 years remaining, 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 and as a result our cash flows.

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We are self-administered and self-managed by our experienced management team, which has over one hundred years of combined experience in owning, leasing and managing retail motor fuel and convenience store properties. Our executive officers are engaged exclusively in the day-to-day business of our company. We administer nearly all management functions for our properties, including leasing, legal, data processing, finance and accounting.

Our tenants are responsible for managing the operations conducted at the properties they rent from us and for the payment of taxes, maintenance, repair, insurance and other operating expenses related to those properties. Our tenants financial results are largely dependent on the performance of the petroleum marketing industry, which is highly competitive and subject to volatility. As of December 31, 2010, we leased approximately 78% of our 1,052 owned and leased properties on a long-term triple-net basis to Getty Petroleum Marketing Inc. (Marketing), a wholly-owned subsidiary of OAO LUKoil (Lukoil), one of the largest integrated oil companies in the world. Marketing operates the petroleum distribution terminals but typically does not itself directly operate the retail motor fuel and convenience store properties it leases from us. 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 may operate our properties directly and/or sublet our properties to the operators. As discussed in more detail below, Marketing is not operating all of the petroleum distribution terminals it leases from us and has vacancies at a significant number of properties it leases from us.

Acquisition Strategy and Activity

Since May 2003 we have acquired a total of 272 properties in various states in transactions valued at approximately \$319 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. As a key component of our growth strategy, we regularly evaluate acquisition opportunities in the gas station and convenience store sector with a view toward acquiring properties that we believe will improve our financial performance. We review potential acquisition and financing 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. There can be no assurance that we will be able to successfully enter into a definitive agreement and consummate a proposed transaction.

In September 2009, we acquired the real estate assets of 36 Exxon-branded gasoline stations and convenience store properties for \$49.0 million in a 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 \$25.0 million term loan agreement with TD Bank, N.A.

In March 2007, we acquired 59 convenience store and retail motor fuel properties in ten states for approximately \$79.3 million from various subsidiaries of FF-TSY Holding Company II, LLC (the successor to Trustreet Properties, Inc.) (Trustreet), a subsidiary of General Electric Capital Corporation. This transaction was financed with funds drawn under our credit agreement. We subsequently acquired five additional properties from Trustreet for approximately \$5.2 million. The aggregate cost of these acquisitions, including transaction costs, was approximately \$84.5 million.

Recent Developments

Acquisition of Properties

On January 13, 2011, we acquired 59 Mobil-branded gasoline station and convenience store properties and also took a security interest in 6 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. The Company's total investment in the transaction was \$111.3 million, which was financed entirely with borrowings under the

Company's existing \$175.0 million credit facility. As a result of this transaction, we own a total of 951 properties and lease a total of 160 properties.

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We estimate, when finally determined, our diluted net earnings per share for the quarter ended December 31, 2010 to be in a range of \$0.40 to \$0.43, amounting to a reduction in net earnings in the range of approximately \$0.02 to \$0.05 per share as compared to our third quarter results. We estimate diluted funds from operations, or FFO, per share for the quarter ended December 31, 2010 to be in the range of \$0.48 to \$0.51 and adjusted funds from operations, or AFFO, per diluted share for the quarter to be in the range of \$0.46 to \$0.49.

We estimate, when finally determined, our diluted net earnings per share for the year ended December 31, 2010 to be in a range of \$1.83 to \$1.86. We estimate diluted funds from operations, or FFO, per share for the year ended December 31, 2010 to be in the range of \$2.12 to \$2.15 and adjusted funds from operations, or AFFO, per diluted share for the quarter to be in the range of \$2.06 to \$2.09.

FFO and AFFO are supplemental non-GAAP measures of the performance of real estate investment trusts and are defined on page S-25.

A reconciliation of estimated diluted per share net earnings to FFO and AFFO is as follows:

	Three Months Ended December 31, 2010 Range or Value			Year Ended December 31, 2010 Range or Value		
Net earnings per diluted share	\$ 0.40	to	\$ 0.43	\$ 1.83	to	\$ 1.86
Depreciation and amortization of real estate assets	0.08		0.08	0.35		0.35
Gains from dispositions of real estate				(0.06)		(0.06)
Funds from operations per diluted share	0.48	to	0.51	2.12	to	2.15
Revenue recognition adjustments	(0.02)		(0.02)	(0.06)		(0.06)
Adjusted funds from operations per diluted share	\$ 0.46	to	\$ 0.49	\$ 2.06	to	\$ 2.09

The estimated reduction in net earnings, FFO and AFFO as compared to last quarter are attributable to increases in aggregate expenses. Environmental litigation expenses, including legal fees and provisions for environmental litigation losses, increased by approximately \$0.8 million to \$1.1 million in the fourth quarter as compared to \$0.3 million recorded for the third quarter of 2010. The increase in environmental litigation expenses was primarily due to higher litigation loss reserves. Employee compensation and benefits expenses increased by approximately \$0.3 million primarily due to the accrual of incentive compensation expense recorded in the fourth quarter and, to a lesser extent, an increase in salary expense due to an increase in the number of employees. General and administrative expenses also increased by approximately \$0.1 million due to professional fees incurred related to the acquisition of properties completed in January 2011.

The foregoing information and estimates contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You should not place undue reliance on these estimates because they may prove to be materially inaccurate. The preliminary financial data included in this prospectus supplement has

been prepared by, and is the responsibility of, our management. Our independent auditors have not audited, reviewed, compiled or performed any procedures with respect to the foregoing preliminary financial data. Accordingly, our independent auditors have not expressed an opinion or any other form of assurance with respect thereto. The foregoing information and estimates are subject to revision as we prepare our financial statements as of and for the year ended December 31, 2010, including all disclosures required by GAAP, and as our auditors conduct their audit of these financial statements. While we believe that such information and estimates are based on reasonable assumptions, our actual results may vary, and such variations may be material. Factors that could cause the preliminary information and estimates to differ include, but are not limited to: (i) additional adjustments in the calculation of, or application of accounting principles for, the financial results for the year ended December 31, 2010, (ii) discovery of new information that impacts valuation methodologies underlying these results, and (iii) accounting changes required by GAAP.

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Issuer	Getty Realty Corp.
Common stock offered by us	3,000,000 shares (or 3,450,000 shares if the underwriters exercise in full their over-allotment option)
Common stock outstanding after this offering	32,944,155 shares (or 33,394,155 shares if the underwriters exercise in full their over-allotment option)(1)
Use of proceeds	We estimate that the net proceeds from this offering will be approximately \$79.7 million (or approximately \$91.8 million if the underwriters exercise in full their over-allotment option) after deducting the underwriting discount and our estimated offering expenses. We intend to use the net proceeds of the offering for the repayment of outstanding indebtedness under our credit agreement and general corporate purposes. We will re-borrow amounts repaid under our credit agreement to fund future property acquisitions and for other general corporate purposes. See Use of Proceeds and Conflicts of Interest .
Risk Factors	You should carefully consider all of the information in this prospectus supplement and the accompanying prospectus, including information that is incorporated by reference. In particular, see Risk Factors beginning on page S-7 of this prospectus supplement, page 3 of the accompanying prospectus and page 8 of our Annual Report on Form 10-K for the year ended December 31, 2009 for a description of factors that you should consider before making a decision to invest in our common stock.
New York Stock Exchange symbol	GTY
Restrictions on Ownership and Transfer	Shares of our common stock are subject to certain restrictions on ownership and transfer designed to preserve our qualification as a REIT for federal income tax purposes. See Description of Capital Stock Ownership and Transfer Restrictions in the accompanying prospectus.

- (1) Based on the number of shares of common stock outstanding as of January 14, 2011. Does not include:
- (a) 12,000 shares of common stock issuable upon exercise of outstanding options; (b) 123,200 shares of common stock issuable upon settlement of outstanding restricted stock units; and (c) 876,800 shares of common stock reserved for future awards under our equity compensation plans.

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FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus include and incorporate by reference forward-looking statements that are subject to risks and uncertainties. These forward-looking statements are made in accordance with Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended, (the Exchange Act), and include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects are forward-looking by their nature:

- our business strategy;
- our projected operating results;
- our ability to obtain future financing arrangements;
- estimates relating to our ability to make distributions to our shareholders in the future;
- our understanding of our competition;
- market trends;
- pending acquisitions of properties;
- projected capital expenditures; and
- use of the proceeds of this offering.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our common stock, along with the following factors that could cause actual results to vary from our forward-looking statements:

- the risk factors referenced in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q (which reports are incorporated by reference herein);
- general volatility of the capital markets and the market price of our common stock;
- owning and leasing real estate generally;
- adverse developments in general business, economic or political conditions;
- our material dependence on Marketing as a tenant;
- the impact of Marketing's announced restructuring of its business;

our inability to provide access to financial information about Marketing;

the modification or termination of the Marketing Leases;

Marketing paying its environmental obligations or changes in our assumptions for environmental liabilities related to the Marketing Leases;

competition for properties and tenants;

performance of our tenants of their lease obligations, tenant non-renewal and our ability to re-let or sell vacant properties;

the effects of taxation and change to other applicable standards or regulations;

potential exposure related to pending lawsuits and claims;

costs of completing environmental remediation and of compliance with environmental legislation and regulations;

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our exposure to counterparty risk and our ability to effectively manage or mitigate this risk;

owning real estate primarily concentrated in the Northeast and Mid-Atlantic regions of the United States;

substantially all of our tenants depending on the same industry for their revenues;

potential future acquisitions;

losses 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;

our dependence on external sources of capital;

generalized credit market dislocations and contraction of available credit;

our business operations generating sufficient cash for distributions or debt service;

changes in interest rates and our ability to manage or mitigate this risk effectively;

our potential inability to pay dividends;

changes to our dividend policy;

changes in market conditions;

adverse affect of inflation;

the loss of a member or members of our management team;

the uncertainty of our estimates, judgments and assumptions associated with our accounting policies and methods; and

terrorist attacks and other acts of violence and war.

When we use the words believes, expects, plans, projects, estimates, predicts and similar expressions, we intend to identify forward-looking statements. You should not place undue reliance on these forward-looking statements.

There are a number of risk factors associated with the conduct of our business, and the risks listed above or discussed in the section entitled Risk Factors beginning on page S-7 of this prospectus supplement, and in the documents incorporated by reference, may not be exhaustive. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. All forward-looking statements should be reviewed with caution. Except to the extent required by applicable law, we undertake no obligation to, and do not intend to, update any forward-looking statements, the factors listed above or the matters discussed in the section entitled Risk Factors in our Annual Report for the year ended December 31, 2009, or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

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RISK FACTORS

In addition to other information contained in this prospectus supplement and the accompanying prospectus, you should carefully consider the risks described below and in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q, which reports are incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision, including documents we file with the Securities and Exchange Commission (the SEC) after the date of this prospectus supplement and which are deemed incorporated by reference in this prospectus supplement and the accompanying prospectus. These risks are not the only ones facing our company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Each of these risk factors could materially and adversely affect our business, financial condition, results of operations liquidity, ability to pay dividends or stock price, and you may lose all or part of your investment.

Risks Related to our Business

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 related to owning properties used in the petroleum marketing industry, 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,
- 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.

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Because our financial results are materially dependent on the performance of Marketing, in the event that Marketing does not perform its rental or environmental obligations under the Marketing Leases, our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or stock price could be materially adversely affected. The financial performance of Marketing has deteriorated in recent years. No assurance can be given that Marketing will have the ability to meet its obligations under the Marketing Leases.

Our financial results are materially dependent upon the ability of Marketing to meet its rental and environmental obligations under the Marketing Leases. A substantial portion of our revenues (66% for the year ended December 31, 2010) are derived from the Marketing Leases. Accordingly, any factor that adversely affects Marketing's ability to meet its obligations under the Marketing Leases 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 additional information regarding the portion of our financial results that are attributable to Marketing, see Note 8 in Item 1. Financial Statements Notes to Consolidated Financial Statements contained in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010. Marketing has made all required monthly rental payments under the Marketing Leases when due through January 2011, although there can be no assurance that it will continue to do so.

For the year ended December 31, 2009, Marketing reported a significant loss, continuing a trend of reporting large losses in recent years. We have not yet received Marketing's operating results for the year ended December 31, 2010. As a result of Marketing's significant annual losses through December 31, 2009, and Marketing's losses reported to us subsequent to its reorganization and the cumulative impact of those losses on Marketing's financial position as of September 30, 2010 we continue to believe that Marketing likely does not have the ability to generate cash flows from its business sufficient to meet its obligations as they come due in the ordinary course through the terms of the Marketing Leases unless it shows significant improvement in its financial results, generates sufficient liquidity through the sale of assets or otherwise, or receives financial support from Lukoil, its parent company. Lukoil is not, however, a guarantor of the Marketing Leases. Even though Marketing is a wholly-owned subsidiary of Lukoil, and Lukoil has provided capital to Marketing in the past, there can be no assurance that Lukoil will provide financial support or additional capital to Marketing in the future. Furthermore, Lukoil has the right to sell its ownership interest in Marketing without the Company's consent, and there can be no assurance that if Marketing were sold by Lukoil that the acquiror would provide financial support to Marketing. We cannot predict with certainty what impact Marketing's restructuring and other changes in its business model will have on us. If Marketing does not meet its obligations under the Marketing Leases, our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or stock price may be materially adversely affected.

In the fourth quarter of 2009, Marketing announced a restructuring of its business. We cannot predict with certainty what impact Marketing's restructuring and other changes in its business model will have on us.

In the fourth quarter of 2009, Marketing announced a restructuring of its business. Marketing disclosed that the restructuring included the sale of all assets unrelated to the properties it leases from us, the elimination of parent-guaranteed debt, and steps to reduce operating costs. Although Marketing's press release stated that its restructuring included the sale of all assets unrelated to the properties it leases from us, we have concluded, based on the press releases related to the Marketing/Bionol contract dispute described below, that Marketing's restructuring did not include the sale of all assets unrelated to the properties it leases from us. Marketing sold certain assets unrelated to the properties it leases from us to its affiliates, LUKOIL Pan Americas LLC and LUKOIL North America LLC. We believe that Marketing retained other assets, liabilities and business matters unrelated to the properties it leases from us. As part of the restructuring, Marketing paid off debt which had been guaranteed by Lukoil with proceeds from the sale of assets to Lukoil affiliates and with financial support from Lukoil. Marketing also announced additional steps to reduce its costs including closing two marketing regions, eliminating jobs and exiting the direct-supplied retail

gasoline business.

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In June 2010, Marketing and Bionol Clearfield LLC (Bionol) each issued press releases regarding a contractual dispute between them. Bionol owns and operates an ethanol plant in Pennsylvania. Bionol and Marketing entered into a five-year contract under which Marketing agreed to purchase substantially all of the ethanol production from the Bionol plant, at formula-based prices. Bionol stated that Marketing breached the contract by not paying the agreed-upon price for the ethanol. According to Bionol's press release, the cumulative gross purchase commitment under the contract could be on the order of one billion dollars. Marketing stated in its press release that it continues to pay Bionol millions of dollars each month for the ethanol, withholding only the amount of the purchase price in dispute and that it has filed for arbitration to resolve the dispute. Among other items related to this matter, we do not know: (i) the accuracy of the statements made by Marketing and Bionol; (ii) the cumulative or projected amount of the purchase price in dispute and how Marketing has accounted for the ethanol contract in its financial statements; or (iii) how the formula-based price compares to the market price of ethanol. We cannot predict with any certainty how the ultimate resolution of this matter may impact Marketing's long-term financial performance and its ability to meet its obligations to us as they become due under the terms of the Marketing Leases.

Marketing has partially exited the direct-supplied retail gasoline business by entering into subleases with petroleum distributors who supply their own petroleum products to our properties. Approximately 245 of our retail properties, comprising substantially all of the properties in New England that we lease to Marketing, have been subleased by Marketing to a single distributor. Substantially all of these properties have been rebranded BP stations and are being supplied petroleum products under a supply contract with BP. As of December 31, 2010, we believe approximately 70 of our retail properties in New Jersey have been subleased by Marketing to a single distributor. It is possible that Marketing may be seeking subtenants for other significant portions of the portfolio of properties it leases from us.

We cannot predict with certainty what impact Marketing's restructuring and other changes in its business model will have on us. If Marketing does not meet its obligations under the Marketing Leases, our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or stock price may be materially adversely affected.

Although we periodically receive and review the unaudited financial statements and other financial information from Marketing, this information is not publicly available to investors. You will not have access to financial information about Marketing provided to us by Marketing to allow you to independently assess Marketing's financial condition or its ability to satisfy its obligations under the Marketing Leases.

We periodically receive and review Marketing's unaudited financial statements and other financial information. We receive the financial statements and other financial information from Marketing pursuant to the terms of the Marketing Leases. However, the financial statements and other financial information are not publicly available to investors and Marketing contends that the terms of the Marketing Leases prohibit us from including the financial statements and other financial information in our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q or in our Annual Reports to Shareholders. The Marketing Leases provide that Marketing's financial information which is not publicly available shall be delivered to us within one hundred fifty days after the end of each fiscal year. We have not yet received Marketing's operating results for the year ended December 31, 2010. The financial statements and other financial information that we receive from Marketing is unaudited and neither we, nor our auditors, have been involved with its preparation and as a result have no assurance as to its correctness or completeness. You will not have access to financial statements and other financial information about Marketing provided to us by Marketing to allow you to independently assess Marketing's financial condition or its ability to satisfy its obligations under the Marketing Leases, which may put your investment in us at greater risk of loss.

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If the Marketing Leases are modified significantly or terminated, our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or stock price could be materially adversely affected.

From time to time we have held discussions with representatives of Marketing regarding potential modifications to the Marketing Leases. These intermittent discussions have not resulted in a common understanding with Marketing that would form a basis for modification of the Marketing Leases. From time to time, however, we have been able to agree with Marketing on terms to allow for removal of individual properties from the Marketing Leases as mutually beneficial opportunities arise. We intend to continue to pursue the removal of individual properties from the Marketing Leases, and we remain open to removal of groups of properties; however, there is no fixed agreement in place providing for removal of properties from the Marketing Leases. Accordingly, the removal of properties from the Marketing Leases is subject to negotiation on a case-by-case basis. If Marketing ultimately determines that its business strategy is to exit all or a portion of the properties it leases from us, it is our intention to cooperate with Marketing in accomplishing those objectives if we determine that it is prudent for us to do so. Any modification of the Marketing Leases that removes a significant number of properties from the Marketing Leases would likely significantly reduce the amount of rent we receive from Marketing and increase our operating expenses. We cannot accurately predict if, or when, the Marketing Leases will be modified; what composition of properties, if any, may be removed from the Marketing Leases as part of any such modification; or what the terms of any agreement for modification of the Marketing Leases may be. We also cannot accurately predict what actions Marketing and Lukoil may take, and what our recourse may be, whether the Marketing Leases are modified or not. We may be required to increase or decrease the deferred rent receivable reserve, record additional impairment charges related to our properties, or accrue for environmental liabilities as a result of the potential or actual modification or termination of the Marketing Leases or leases with our other tenants, which may result in material adjustments to the amounts recorded for these assets and liabilities.

As permitted under the terms of the Marketing Leases, Marketing generally can, subject to any contrary terms under applicable third party leases, use each property for any lawful purpose, or for no purpose whatsoever. We believe that as of December 31, 2010, Marketing was not operating three of the nine terminals it leases from us and had removed, or has scheduled removal of, the underground gasoline storage tanks and related equipment at approximately one hundred forty of our properties and we also believe that most of these properties are either vacant or provide negative contribution to Marketing's results. Marketing agreed to permit us to list with brokers and to show to prospective purchasers and lessees seventy-five of the properties where Marketing has removed, or has scheduled to remove, underground gasoline storage tanks and related equipment; however, the agreement expired in September 2010 and we are not currently actively pursuing marketing such properties for sale or lease. In those instances where we determine that the best use for a property is no longer as a retail motor fuel outlet, at the appropriate time we will seek an alternative tenant or buyer for such property. With respect to properties that are vacant or have had underground gasoline 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.

We intend either to re-let or sell any properties that are removed from the Marketing Leases, whether such removal arises consensually by negotiation or as a result of default by Marketing, and reinvest any realized sales proceeds in new properties. We intend to offer properties removed from the Marketing Leases to replacement tenants or buyers individually, or in groups of properties, or by seeking a single tenant for the entire portfolio of properties subject to the Marketing Leases. In the event that properties are removed from the Marketing Leases, we cannot accurately predict if, when, or on what terms such properties could be re-let or sold. If the Marketing Leases are significantly modified or terminated, our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or stock price may be materially adversely affected.

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If it becomes probable that Marketing will not pay its environmental obligations, or if we change our assumptions for environmental liabilities related to the Marketing Leases our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or stock price could be materially adversely affected.

Marketing is directly responsible to pay for (i) remediation of environmental contamination it causes and compliance with various environmental laws and regulations as the operator of our properties, and (ii) known and unknown environmental liabilities allocated to Marketing under the terms of the Marketing Leases and various other agreements with us relating to Marketing's business and the properties it leases from us (collectively the Marketing Environmental Liabilities). However, we continue to have ongoing environmental remediation obligations at 186 retail sites and for certain pre-existing conditions at six of the terminals we lease to Marketing. If Marketing fails to pay the Marketing Environmental Liabilities, we may ultimately be responsible to pay for Marketing Environmental Liabilities as the property owner. We do not maintain pollution legal liability insurance to protect us from potential future claims for Marketing Environmental Liabilities. We will be required to accrue for Marketing Environmental Liabilities if we determine that it is probable that Marketing will not meet its environmental obligations and we can reasonably estimate the amount of the Marketing Environmental Liabilities for which we will be directly responsible to pay, or if our assumptions regarding the ultimate allocation methods or share of responsibility that we used to allocate environmental liabilities changes. However, we continue to believe that it is not probable that Marketing will not pay for substantially all of the Marketing Environmental Liabilities since we believe that Lukoil will not allow Marketing to fail to perform its rental, environmental and other obligations under the Marketing Leases. Accordingly, we did not accrue for the Marketing Environmental Liabilities as of December 31, 2010 or December 31, 2009. Nonetheless, we have determined that the aggregate amount of the Marketing Environmental Liabilities (as estimated by us) could be material to us if we were required to accrue for all of the Marketing Environmental Liabilities in the future since we believe that as a result of any such accrual, it is reasonably possible that we may not be in compliance with the existing financial covenants in our credit agreement and our term loan agreement. Such non-compliance could result in an event of default under the credit agreement and the term loan agreement which, if not cured or waived, could result in the acceleration of all of our indebtedness under such agreements. If we determine that it is probable that Marketing will not meet the Marketing Environmental Liabilities and we accrue for such liabilities, our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends or stock price may be materially adversely affected.

We estimate that the aggregate Marketing Environmental Liabilities for which we may ultimately be responsible to pay range between \$13 million and \$20 million, net of expected recoveries from underground storage tank funds, of which between \$6 million and \$9 million relate to the properties that we identified as the basis for our estimate of the deferred rent receivable reserve. Since we generally do not have access to certain site specific information