Section 1: 10-Q (10-Q 1Q 2020)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission file number: 001-13777

GETTY REALTY CORP.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**11-3412575**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

Two Jericho Plaza, Suite 110
Jericho, New York 11753-1681
(Address of Principal Executive Offices) (Zip Code)

(516) 478-5400
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	GTY	New York Stock Exchange

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒			Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The registrant had outstanding 41,392,147 shares of common stock as of May 6, 2020.

GETTY REALTY CORP.
FORM 10-Q

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GETTY REALTY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except per share amounts)

	March 31, 2020	December 31, 2019
ASSETS		
Real estate:		
Land	$ 674,812	$ 669,351
Buildings and improvements	488,702	442,220
Construction in progress	897	2,080
	1,164,411	1,113,651
Less accumulated depreciation and amortization	(170,919)	(165,892)
Real estate, net	993,492	947,759
Investment in direct financing leases, net	80,806	82,366
Notes and mortgages receivable	28,648	30,855
Cash and cash equivalents	35,924	21,781
Restricted cash	2,008	1,883
Deferred rent receivable	42,028	41,252
Accounts receivable	1,520	3,063
Right-of-use assets - operating	19,341	21,191
Right-of-use assets - finance	931	987
Prepaid expenses and other assets, net	64,773	60,640
Total assets	$ 1,269,471	$ 1,211,777
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Borrowings under credit agreement, net	$ 85,000	$ 20,000
Senior unsecured notes, net	449,105	449,065
Environmental remediation obligations	50,358	50,723
Dividends payable	15,632	15,557
Lease liability - operating	19,982	21,844
Lease liability - finance	4,039	4,191
Accounts payable and accrued liabilities	58,880	60,958
Total liabilities	682,996	622,338
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, $0.01 par value; 20,000,000 shares authorized; unissued	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 41,391,351 and 41,367,846 shares issued and outstanding, respectively	414	414
Additional paid-in capital	656,981	656,127
Dividends paid in excess of earnings	(70,920)	(67,102)
Total stockholders' equity	586,475	589,439
Total liabilities and stockholders' equity	$ 1,269,471	$ 1,211,777

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

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenues:		
Revenues from rental properties	$ 34,650	$ 33,287
Interest on notes and mortgages receivable	713	762
Total revenues	35,363	34,049
Operating expenses:		
Property costs	4,935	5,495
Impairments	1,031	771
Environmental	221	903
General and administrative	4,068	4,062
Depreciation and amortization	7,097	6,099
Total operating expenses	17,352	17,330
Gain (loss) on dispositions of real estate	869	(51)
Operating income	18,880	16,668
Other income (expense), net	495	205
Interest expense	(6,675)	(5,946)
Net earnings	$ 12,700	$ 10,927
Basic earnings per common share:		
Net earnings	$ 0.30	$ 0.26
Diluted earnings per common share:		
Net earnings	$ 0.30	$ 0.26
Weighted average common shares outstanding:		
Basic	41,383	40,873
Diluted	41,391	40,891

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

GETTY REALTY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 12,700	$ 10,927
Adjustments to reconcile net earnings to net cash flow provided by operating activities:		
Depreciation and amortization expense	7,097	6,099
Impairment charges	1,031	771
(Gain) loss on dispositions of real estate	(869)	51
Deferred rent receivable	(777)	(955)
Amortization of above-market and below-market leases	(108)	(172)
Amortization of investment in direct financing leases	982	827
Amortization of debt issuance costs	260	235
Accretion expense	466	538
Stock-based compensation	732	474
Changes in assets and liabilities:		
Accounts receivable	1,461	1,342
Prepaid expenses and other assets	(188)	(765)
Environmental remediation obligations	(2,113)	(1,873)
Accounts payable and accrued liabilities	(2,800)	(2,017)
Net cash flow provided by operating activities	17,874	15,482
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property acquisitions	(57,321)	—
Addition to construction in progress	7	(151)
Proceeds from dispositions of real estate	851	77
Deposits for property acquisitions	690	50
(Issuance) of notes and mortgages receivable	—	(382)
Collection of notes and mortgages receivable	2,691	1,905
Net cash flow (used in) provided by investing activities	(53,082)	1,499
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under credit agreement	65,000	5,000
Repayments under credit agreement	—	(35,000)
Payment of finance lease obligations	(153)	(127)
Security deposits received (refunded)	63	(242)
Payments of cash dividends	(15,163)	(14,138)
Payments in settlement of restricted stock units	(244)	(115)
Proceeds from issuance of common stock, net - ATM	(27)	(17)
Net cash flow provided by (used in) financing activities	49,476	(44,639)
Change in cash, cash equivalents and restricted cash	14,268	(27,658)
Cash, cash equivalents and restricted cash at beginning of period	23,664	48,742
Cash, cash equivalents and restricted cash at end of period	$ 37,932	$ 21,084
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 6,347	$ 5,759
Income taxes	251	222
Environmental remediation obligations	1,325	1,532
Non-cash transactions:		
Dividends declared but not yet paid	15,632	14,555
Issuance of notes and mortgages receivable related to property dispositions	$ 792	$ —

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. — DESCRIPTION OF BUSINESS

Getty Realty Corp. (together with its subsidiaries, unless otherwise indicated or except where the context otherwise requires, "we," "us" or "our") is the leading publicly-traded real estate investment trust ("REIT") in the United States specializing in the ownership, leasing and financing of convenience store and gasoline station properties. As of March 31, 2020, we owned 885 properties and leased 62 properties from third-party landlords. These 947 properties are located in 35 states across the United States and Washington, D.C. Our tenants operate our properties under a variety of national and regional convenience store, motor fuel, and automotive service and other retail brands. In addition, we lease approximately 8,900 square feet of office space, which is used for our corporate headquarters. Our company was originally founded in 1955 and is headquartered in Jericho, New York.

NOTE 2. — ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Getty Realty Corp. and its wholly owned subsidiaries. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). We do not distinguish our principal business or our operations on a geographical basis for purposes of measuring performance. We manage and evaluate our operations as a single segment. All significant intercompany accounts and transactions have been eliminated.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no impact on previously reported net earnings.

Unaudited, Interim Consolidated Financial Statements

The consolidated financial statements are unaudited but, in our opinion, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair statement of the results for the periods presented. These statements should be read in conjunction with the consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2019.

Use of Estimates, Judgments and Assumptions

The consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the period reported. Estimates, judgments and assumptions underlying the accompanying consolidated financial statements include, but are not limited to, real estate, receivables, deferred rent receivable, direct financing leases, depreciation and amortization, impairment of long-lived assets, environmental remediation costs, environmental remediation obligations, litigation, accrued liabilities, income taxes and the allocation of the purchase price of properties acquired to the assets acquired and liabilities assumed. Application of these estimates and assumptions requires exercise of judgment as to future uncertainties and, as a result, actual results could differ materially from these estimates.

Real Estate

Real estate assets are stated at cost less accumulated depreciation and amortization. For acquisitions of real estate we estimate the fair value of acquired tangible assets (consisting of land, buildings and improvements) "as if vacant" and identified intangible assets and liabilities (consisting of leasehold interests, above-market and below-market leases, in-place leases and tenant relationships) and assumed debt. Based on these estimates, we allocate the estimated fair value to the applicable assets and liabilities. Fair value is determined based on an exit price approach, which contemplates the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assumptions used are property and geographic specific and may include, among other things, capitalization rates, market rental rates and EBITDA to rent coverage ratios.

We expense transaction costs associated with business combinations in the period incurred. Acquisitions of real estate which do not meet the definition of a business are accounted for as asset acquisitions. The accounting model for asset acquisitions is similar to the accounting model for business combinations except that the acquisition costs are capitalized and allocated to the individual assets acquired and liabilities assumed on a relative fair value basis. For additional information regarding property acquisitions, see Note 11 – Property Acquisitions.

We capitalize direct costs, including costs such as construction costs and professional services, and indirect costs associated with the development and construction of real estate assets while substantive activities are ongoing to prepare the assets for their intended use. The capitalization period begins when development activities are underway and ends when it is determined that the asset is substantially complete and ready for its intended use.

We evaluate the held for sale classification of our real estate as of the end of each quarter. Assets that are classified as held for sale are recorded at the lower of their carrying amount or fair value less costs to sell.

When real estate assets are sold or retired, the cost and related accumulated depreciation and amortization is eliminated from the respective accounts and any gain or loss is credited or charged to income. We evaluate real estate sale transactions where we provide seller financing to determine sale and gain recognition in accordance with GAAP. Expenditures for maintenance and repairs are charged to income when incurred.

Direct Financing Leases

Income under direct financing leases is included in revenues from rental properties and is recognized over the lease terms using the effective interest rate method which produces a constant periodic rate of return on the net investments in the leased properties. The investments in direct financing leases are increased for interest income earned and amortized over the life of the leases and reduced by the receipt of lease payments. We consider direct financing leases to be past-due or delinquent when a contractually required payment is not remitted in accordance with the provisions of the underlying agreement.

On June 16, 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments* ("ASU 2016-13"). The accounting standard became effective for us and was adopted on January 1, 2020. Upon adoption, we had five unitary leases subject to this standard classified as a direct financing leases with a net investment balance aggregating $82,366,000 prior to the credit loss adjustment. In these direct financing leases, the payment obligations of the lessees are collateralized by real estate properties. Historically, we have had no collection issues related to these direct financing leases; therefore, we assessed the probability of default on these leases based on the lessee's financial condition, business prospects, remaining term of the lease, expected value of the underlying collateral upon its repossession, and our historical loss experience related to other leases in which we are the lessor. Based on the aforementioned considerations, we estimated a credit loss reserve related to these direct financing leases totaling $578,000, which was recognized as a cumulative adjustment to retained earnings and as a reduction of the investment in direct financing leases balance on our consolidated balance sheets on January 1, 2020. Periods prior to the adoption date that are presented for comparative purposes will not be adjusted.

We review our direct financing leases each reporting period to determine whether there were any indicators that the value of our net investments in direct financing leases may be impaired and adjust the allowance for any estimated changes in the credit loss with the resulting change recorded through our consolidated statement of operations. When determining a possible impairment, we take into consideration the collectability of direct financing lease receivables for which a reserve would be required. In addition, we determine whether there has been a permanent decline in the current estimate of the residual value of the property. There were no additional indicators for impairments of any of our direct financing leases during the three months ended March 31, 2020 and 2019. For the three months ended March 31, 2020, we did not record any additional allowance for credit losses.

When we enter into a contract to sell properties that are recorded as direct financing leases, we evaluate whether we believe that it is probable that the disposition will occur. If we determine that the disposition is probable and therefore the property's holding period is reduced, we may adjust an allowance for credit losses to reflect the change in the estimate of the undiscounted future rents. Accordingly, the net investment balance is written down to fair value.

Notes and Mortgages Receivable

Notes and mortgages receivable consists of loans originated by us in conjunction with property dispositions and funding provided to tenants in conjunction with property acquisitions and capital improvements. Notes and mortgages receivable are recorded at stated principal amounts. In conjunction with our adoption of ASU 2016-13 on January 1, 2020, we estimate our credit loss reserve for our notes and mortgages receivable using the weighted average remaining maturity ("WARM") method, which has been identified as an acceptable loss-rate method for estimating credit loss reserves in the FASB Staff Q&A Topic 326, No. 1. The WARM method requires us to reference historic loan loss data across a comparable data set and apply such loss rate to our notes and mortgages portfolio over its expected remaining term, taking into consideration expected economic conditions over the relevant timeframe. We applied the WARM method for our notes and mortgages portfolio, which share similar risk characteristics. Application of the WARM method to estimate a credit loss reserve requires significant judgment, including (i) the historical loan loss reference data, (ii) the expected timing and amount of loan repayments, and (iii) the current credit quality of our portfolio and our expectations of performance and market conditions over the relevant time period. To estimate the historic loan losses relevant to our portfolio, we used our historical loan performance since the launch of our loan origination business in 2013. Upon adoption of ASU 2016-13 on January 1, 2020, we recorded a credit loss reserve of $309,000, which was recognized as a cumulative adjustment to retained earnings and as a reduction of the aggregate outstanding principal balance of $30,855,000 on the notes and mortgages receivable balance on our consolidated balance sheets on January 1, 2020. Periods prior to the adoption date that are presented for comparative purposes will not be adjusted.

There were no additional impairments indicators related to our notes and mortgages receivable during the three months ended March 31, 2020 and 2019. For the three months ended March 31, 2020, we did not record any additional allowance for credit losses.

Revenue Recognition and Deferred Rent Receivable

On January 1, 2018, we adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), ("Topic 606") using the modified retrospective method applying it to any open contracts as of January 1, 2018. The new guidance provides a unified model to determine how revenue is recognized. To determine the proper amount of revenue to be recognized, we perform the following steps: (i) identify the contract with the customer, (ii) identify the performance obligations within the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when (or as) a performance obligation is satisfied. Our primary source of revenue consists of revenue from rental properties and tenant reimbursements that is derived from leasing arrangements, which is specifically excluded from the standard, and thus had no material impact on our consolidated financial statements or notes to our consolidated financial statements as of March 31, 2020.

Lease payments from operating leases are recognized on a straight-line basis over the term of the leases. The cumulative difference between lease revenue recognized under this method and the contractual lease payment terms is recorded as deferred rent receivable on our consolidated balance sheets. We review our accounts receivable, including its deferred rent receivable, related to base rents, straight-line rents, tenant reimbursements and other revenues for collectability. Our evaluation of collectability primarily consists of reviewing past due account balances and considers such factors as the credit quality of our tenant, historical trends of the tenant, changes in tenant payment terms and current economic trends. In addition, with respect to tenants in bankruptcy, we estimate the probable recovery through bankruptcy claims. If a tenant's accounts receivable balance is considered uncollectable, we will write off the related receivable balances and cease to recognize lease income, including straight-line rent unless cash is received. If the collectability assessment subsequently changes to probable, any difference between the lease income that would have been recognized if collectability had always been assessed as probable and the lease income recognized to date, is recognized as a current-period adjustment to revenues from rental properties. Our reported net earnings are directly affected by our estimate of the collectability of our accounts receivable.

The present value of the difference between the fair market rent and the contractual rent for above-market and below-market leases at the time properties are acquired is amortized into revenues from rental properties over the remaining terms of the in-place leases. Lease termination fees are recognized as other income when earned upon the termination of a tenant's lease and relinquishment of space in which we have no further obligation to the tenant.

The sales of nonfinancial assets, such as real estate, are to be recognized when control of the asset transfers to the buyer, which will occur when the buyer has the ability to direct the use of or obtain substantially all of the remaining benefits from the asset. This generally occurs when the transaction closes and consideration is exchanged for control of the property.

Impairment of Long-Lived Assets

Assets are written down to fair value when events and circumstances indicate that the assets might be impaired and the projected undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Assets held for disposal are written down to fair value less estimated disposition costs.

We recorded impairment charges aggregating $1,031,000 for the three months ended March 31, 2020 and $771,000 for the three months ended March 31, 2019. Our estimated fair values, as they relate to property carrying values, were primarily based upon (i) estimated sales prices from third-party offers based on signed contracts, letters of intent or indicative bids, for which we do not have access to the unobservable inputs used to determine these estimated fair values, and/or consideration of the amount that currently would be required to replace the asset, as adjusted for obsolescence (this method was used to determine $241,000 of impairments recognized during the three months ended March 31, 2020) and (ii) discounted cash flow models (this method was used to determine $117,000 of impairments recognized during the three months ended March 31, 2020). During the three months ended March 31, 2020, we recorded $673,000 of impairments due to the accumulation of asset retirement costs as a result of changes in estimates associated with our estimated environmental liabilities which increased the carrying values of certain properties in excess of their fair values. For the three months ended March 31, 2020 and 2019, impairment charges aggregating $206,000 and $199,000, respectively, were related to properties that were previously disposed of by us.

The estimated fair value of real estate is based on the price that would be received from the sale of the property in an orderly transaction between market participants at the measurement date. In general, we consider multiple internal valuation techniques when measuring the fair value of a property, all of which are based on unobservable inputs and assumptions that are classified within Level 3 of the Fair Value Hierarchy. These unobservable inputs include assumed holding periods ranging up to 15 years, assumed average rent increases of 2.0% annually, income capitalized at a rate of 8.0% and cash flows discounted at a rate of 7.0%. These assessments have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future rental rates and operating expenses that could differ materially from actual results in future periods. Where properties held for use have been identified as having a potential for sale, additional judgments are required related to the determination as to the appropriate period over which the projected undiscounted cash flows should include the operating cash flows and the amount included as the estimated residual value. This requires significant judgment. In some cases, the results of whether impairment is indicated are sensitive to changes in assumptions input into the estimates, including the holding period until expected sale.

Fair Value of Financial Instruments

All of our financial instruments are reflected in the accompanying consolidated balance sheets at amounts which, in our estimation based upon an interpretation of available market information and valuation methodologies, reasonably approximate their fair values, except those separately disclosed in the notes below.

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates of fair value that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the period reported using a hierarchy (the "Fair Value Hierarchy") that prioritizes the inputs to valuation techniques used to measure the fair value. The Fair Value Hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the Fair Value Hierarchy are as follows: "Level 1" – inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date; "Level 2" – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and "Level 3" – inputs that are unobservable. Certain types of assets and liabilities are recorded at fair value either on a recurring or non-recurring basis. Assets required or elected to be marked-to-market and reported at fair value every reporting period are valued on a recurring basis. Other assets not required to be recorded at fair value every period may be recorded at fair value if a specific provision or other impairment is recorded within the period to mark the carrying value of the asset to market as of the reporting date. Such assets are valued on a non-recurring basis.

Environmental Remediation Obligations

We record the fair value of a liability for an environmental remediation obligation as an asset and liability when there is a legal obligation associated with the retirement of a tangible long-lived asset and the liability can be reasonably estimated. Environmental remediation obligations are estimated based on the level and impact of contamination at each property. The accrued liability is the aggregate of our estimate of the fair value of cost for each component of the liability. The accrued liability is net of estimated recoveries from state underground storage tank ("UST") remediation funds considering estimated recovery rates developed from prior experience with the funds. Net environmental liabilities are currently measured based on their expected future cash flows which have been adjusted for inflation and discounted to present value. We accrue for environmental liabilities that we believe are allocable to other potentially responsible parties if it becomes probable that the other parties will not pay their environmental remediation obligations.

Income Taxes

We and our subsidiaries file a consolidated federal income tax return. Effective January 1, 2001, we elected to qualify, and believe that we are operating so as to qualify, as a REIT for federal income tax purposes. Accordingly, we generally will not be subject to federal income tax on qualifying REIT income, provided that distributions to our stockholders equal at least the amount of our taxable income as defined under the Internal Revenue Code. We accrue for uncertain tax matters when appropriate. The accrual for uncertain tax positions is adjusted as circumstances change and as the uncertainties become more clearly defined, such as when audits are settled or exposures expire. Tax returns for the years 2016, 2017 and 2018, and tax returns which will be filed for the year ended 2019, remain open to examination by federal and state tax jurisdictions under the respective statutes of limitations.

New Accounting Pronouncements

On June 16, 2016, the FASB issued ASU 2016-13 to amend the accounting for credit losses for certain financial instruments. Under the new guidance, an entity recognizes its estimate of expected credit losses as an allowance, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13 applies to financial assets measured at amortized cost and certain other instruments, including notes and mortgages receivable and net investments in direct financing leases. This standard does not apply to receivables arising from operating leases, which are within the scope of Topic 842. ASU 2016-13 became effective for us and was adopted on January 1, 2020 and required a modified retrospective approach through a cumulative-effect adjustment to retained earnings. We recorded a credit loss reserve related to our direct financing leases totaling $578,000, which was recognized as a cumulative adjustment to retained earnings and as a reduction of the investment in direct financing leases balance on our consolidated balance sheets on January 1, 2020. In addition, we recorded a credit loss reserve of $309,000 related to our notes and mortgages receivable balance, which was recognized as a cumulative adjustment to retained earnings.

On March 12, 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)* (“ASU 2020-04”). ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. We are currently evaluating the impact the adoption of ASU 2020-04 will have on our consolidated financial statements.

NOTE 3. — LEASES

As of March 31, 2020, we owned 885 properties and leased 62 properties from third-party landlords. These 947 properties are located in 35 states across the United States and Washington, D.C. Substantially all of our properties are leased on a triple-net basis primarily to petroleum distributors, convenience store retailers and, to a lesser extent, automotive service and other retail operators. Generally, our tenants supply fuel and either operate our properties directly or sublet our properties to operators who operate their convenience stores, gasoline stations, automotive service or other retail businesses at our properties. Our triple-net lease tenants are responsible for the payment of all taxes, maintenance, repairs, insurance and other operating expenses relating to our properties, and are also responsible for environmental contamination occurring during the terms of their leases and in certain cases also for environmental contamination that existed before their leases commenced. For additional information regarding environmental obligations, see Note 6 – Environmental Obligations.

Substantially all of our tenants’ financial results depend on the sale of refined petroleum products, convenience store sales or rental income from their subtenants. As a result, our tenants’ financial results are highly dependent on the performance of the petroleum marketing industry, which is highly competitive and subject to volatility. During the terms of our leases, we monitor the credit quality of our triple-net lease tenants by reviewing their published credit rating, if available, reviewing publicly available financial statements, or reviewing financial or other operating statements which are delivered to us pursuant to applicable lease agreements, monitoring news reports regarding our tenants and their respective businesses, and monitoring the timeliness of lease payments and the performance of other financial covenants under their leases.

We adopted ASU 2016-02, *Leases (Topic 842)* (“ASU 2016-02”) as of January 1, 2019. ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets. Under ASU 2016-02, lessor accounting will remain similar to lessor accounting under previous GAAP, while aligning with the FASB’s new revenue recognition guidance.

For leases in which we are the lessor, we are (i) retaining classification of our historical leases as we are not required to reassess classification upon adoption of the new standard, (ii) expensing indirect leasing costs in connection with new or extended tenant leases, the recognition of which would have been deferred under prior accounting guidance and (iii) aggregating revenue from our lease components and non-lease components (comprised of tenant reimbursements) into revenue from rental properties.

Revenues from rental properties were $34,650,000 and $33,287,000 for the three months ended March 31, 2020 and 2019, respectively. Rental income contractually due from our tenants included in revenues from rental properties was $31,393,000 and $29,208,000 for the three months ended March 31, 2020 and 2019, respectively.

In accordance with GAAP, we recognize rental revenue in amounts which vary from the amount of rent contractually due during the periods presented. As a result, revenues from rental properties include non-cash adjustments recorded for deferred rental revenue due to the recognition of rental income on a straight-line basis over the current lease term, the net amortization of above-market and below-market leases, rental income recorded under direct financing leases using the effective interest method which produces a constant periodic rate of return on the net investments in the leased properties and the amortization of deferred lease incentives (the “Revenue Recognition Adjustments”). Revenue Recognition Adjustments included in revenues from rental properties was a charge of $69,000 for the three months ended March 31, 2020 and income of $379,000 for the three months ended March 31, 2019.

Tenant reimbursements, which are included in revenues from rental properties and which consist of real estate taxes and other municipal charges paid by us which were reimbursable by our tenants pursuant to the terms of triple-net lease agreements, were $3,326,000 and $3,700,000 for the three months ended March 31, 2020 and 2019, respectively.

We incurred $69,000 and $93,000 of lease origination costs for the three months ended March 31, 2020 and 2019, respectively. This deferred expense is recognized on a straight-line basis as amortization expense in our consolidated statements of operations over the terms of the various leases.

The components of the $80,806,000 investment in direct financing leases as of March 31, 2020, are lease payments receivable of $123,153,000 plus unguaranteed estimated residual value of $13,928,000 less unearned income of $55,698,000 and $577,000 allowance for credit losses. The components of the $82,366,000 investment in direct financing leases as of December 31, 2019, are lease payments receivable of $126,412,000 plus unguaranteed estimated residual value of $13,928,000 less unearned income of $57,974,000. We recorded a credit loss reserve related to these direct financing leases totaling $578,000, which was recognized as a cumulative adjustment to retained earnings and as a reduction of the investment in direct financing leases balance on our consolidated balance sheets on January 1, 2020.

As of March 31, 2020, future contractual annual rentals receivable from our tenants, which have terms in excess of one year are as follows (in thousands):

	Operating Leases	Direct Financing Leases
2020	$ 84,040	$ 9,897
2021	112,825	13,339
2022	112,555	13,420
2023	112,728	13,467
2024	110,822	13,611
Thereafter	693,684	59,419
Total	$ 1,226,654	$ 123,153

For leases in which we are the lessee, ASU 2016-02 requires leases with durations greater than twelve months to be recognized on our consolidated balance sheets. We elected the package of transition provisions available for expired or existing contracts, which allowed us to carryforward our historical assessments of (i) whether contracts are or contain leases, (ii) lease classification and (iii) initial direct costs.

As of January 1, 2019, we recognized operating lease right-of-use assets of $25,561,000 (net of deferred rent expense) and operating lease liabilities of $26,087,000, which were presented on our consolidated financial statements. The right-of-use assets and lease liabilities are carried at the present value of the remaining expected future lease payments. When available, we use the rate implicit in the lease to discount lease payments to present value; however, our current leases did not provide a readily determinable implicit rate. Therefore, we estimated our incremental borrowing rate to discount the lease payments based on information available and considered factors such as interest rates available to us on a fully collateralized basis and terms of the leases. ASU 2016-02 did not have a material impact on our consolidated balance sheets or on our consolidated statements of operations. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged.

The following presents the lease-related assets and liabilities (in thousands):

	March 31, 2020
Assets	
Right-of-use assets - operating	$ 19,341
Right-of-use assets - finance	931
Total lease assets	$ 20,272
Liabilities	
Lease liability - operating	$ 19,982
Lease liability - finance	4,039
Total lease liabilities	$ 24,021

The following presents the weighted average lease terms and discount rates of our leases:

Weighted-average remaining lease term (years)	
Operating leases	8.9
Finance leases	11.2
Weighted-average discount rate	
Operating leases (1)	5.31%
Finance leases	17.21%

(a) Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019.

The following presents our total lease costs (in thousands):

	Three Months Ended March 31, 2020
Operating lease cost	$ 1,011
Finance lease cost	
Amortization of leased assets	153
Interest on lease liabilities	189
Short-term lease cost	37
Total lease cost	$ 1,390

The following presents supplemental cash flow information related to our leases (in thousands):

	Three Months Ended March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	$ 896
Operating cash flows for finance leases	189
Financing cash flows for finance leases	$ 153

As of March 31, 2020, scheduled lease liabilities mature as follows (in thousands):

	Operating Leases	Direct Financing Leases
2020	$ 2,949	$ 1,364
2021	3,544	1,209
2022	2,802	1,042
2023	2,679	831
2024	2,827	732
Thereafter	11,266	1,878
Total lease payments	26,067	7,056
Less: amount representing interest	(6,085)	(3,017)
Present value of lease payments	$ 19,982	$ 4,039

Major Tenants

As of March 31, 2020, we had three significant tenants by revenue:

- We leased 150 convenience store and gasoline station properties in three separate unitary leases and three stand-alone leases to subsidiaries of Global Partners LP (NYSE: GLP) ("Global"). In the aggregate, our leases with subsidiaries of Global represented 15% and 17% of our total revenues for the three months ended March 31, 2020 and 2019, respectively. All of our unitary leases with subsidiaries of Global are guaranteed by the parent company.
- We leased 77 convenience store and gasoline station properties pursuant to three separate unitary leases to Apro, LLC (d/b/a "United Oil"). In the aggregate, our leases with United Oil represented 13% of our total revenues for the three months ended March 31, 2020 and 2019.
- We leased 74 convenience store and gasoline station properties pursuant to two separate unitary leases to subsidiaries of Chestnut Petroleum Dist., Inc. ("Chestnut"). In the aggregate, our leases with subsidiaries of Chestnut represented 11% of our total revenues for the three months ended March 31, 2020 and 2019. The largest of these unitary leases, covering 56 of our properties, is guaranteed by the parent company, its principals and numerous Chestnut affiliates.

Getty Petroleum Marketing Inc.

Getty Petroleum Marketing Inc. ("Marketing") was our largest tenant from 1997 until 2012 under a unitary triple-net master lease that was terminated in April 2012, as a consequence of Marketing's bankruptcy, at which time we either sold or released these properties. As of March 31, 2020, 362 of the properties we own or lease were previously leased to Marketing, of which 320 properties are subject to long-term triple-net leases with petroleum distributors in 14 separate property portfolios and 32 properties are leased as single unit triple-net leases. The leases covering properties previously leased to Marketing are unitary triple-net lease agreements generally with an initial term of 15 years and options for successive renewal terms of up to 20 years. Rent is scheduled to increase at varying intervals during both the initial and renewal terms of the leases. Several of the leases provide for additional rent based on the aggregate volume of fuel sold. In addition, the majority of the leases require the tenants to invest capital in our properties, substantially all of which are related to the replacement of USTs that are owned by our tenants. As of March 31, 2020, we have a remaining commitment to fund up to $7,048,000 in the aggregate with our tenants for our portion of such capital improvements. Our commitment provides us with the option to either reimburse our tenants or to offset rent when these capital expenditures are made. This deferred expense is recognized on a straight-line basis as a reduction of rental revenue in our consolidated statements of operations over the life of the various leases.

As part of the triple-net leases for properties previously leased to Marketing, we transferred title of the USTs to our tenants, and the obligation to pay for the retirement and decommissioning or removal of USTs at the end of their useful lives, or earlier if circumstances warranted, was fully or partially transferred to our new tenants. We remain contingently liable for this obligation in the event that our tenants do not satisfy their responsibilities. Accordingly, through March 31, 2020, we removed $13,813,000 of asset retirement obligations and $10,808,000 of net asset retirement costs related to USTs from our balance sheet. The cumulative change of $1,476,000 (net of accumulated amortization of $1,529,000) is recorded as deferred rental revenue and will be recognized on a straight-line basis as additional revenues from rental properties over the terms of the various leases.

NOTE 4. — COMMITMENTS AND CONTINGENCIES

Credit Risk

In order to minimize our exposure to credit risk associated with financial instruments, we place our temporary cash investments, if any, with high credit quality institutions. Temporary cash investments, if any, are currently held in an overnight bank time deposit with JPMorgan Chase Bank, N.A. and these balances, at times, may exceed federally insurable limits.

Legal Proceedings

We are subject to various legal proceedings and claims which arise in the ordinary course of our business. As of March 31, 2020 and December 31, 2019, we had accrued $17,788,000 and $17,820,000, respectively, for certain of these matters which we believe were appropriate based on information then currently available. We are unable to estimate ranges in excess of the amount accrued with any certainty for these matters. It is possible that our assumptions regarding the ultimate allocation method and share of responsibility that we used to allocate environmental liabilities may change, which may result in our providing an accrual, or adjustments to the amounts recorded, for environmental litigation accruals. Matters related to our former Newark, New Jersey Terminal and the Lower Passaic River, our methyl tertiary butyl ether (a fuel derived from methanol, commonly referred to as “MTBE”) litigations in the states of New Jersey, Pennsylvania and Maryland, and our lawsuit with the State of New York pertaining to a property formerly owned by us in Uniondale, New York, in particular, could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

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

In September 2003, we received a directive (the “Directive”) issued by the New Jersey Department of Environmental Protection (“NJDEP”) under the New Jersey Spill Compensation and Control Act. The Directive indicated that we are one of approximately 66 potentially responsible parties (“PRPs”) for alleged natural resource damages resulting from the discharges of hazardous substances along the Lower Passaic River (the “Lower Passaic River”).

The Directive provides, among other things, that the named recipients must conduct an assessment of the natural resources that have been injured by discharges into the Lower Passaic River and must implement interim compensatory restoration for the injured natural resources. The NJDEP alleges that our liability arises from alleged discharges originating from our former Newark, New Jersey Terminal site (which we sold in October 2013). We responded to the Directive by asserting that we are not liable. In 2005, the NJDEP initiated litigation in the Superior Court of Essex County against Occidental Chemical Corporation (“Occidental”), Tierra Solutions, Inc. (“Tierra”), Maxus Energy Corporation (“Maxus”), Repsol YPF, S.A., YPF, S.A., YPF Holdings, Inc. and CLH Holdings, Inc. as former owners, operators and/or affiliates of the Diamond Shamrock Corporation facility located at 80 Lister Avenue in Newark, New Jersey in the matter of the NJDEP et al. v. Occidental Chemical Corp. et al., alleging these entities are responsible for the discharge of 2,3,8,8-TCDD (“dioxin”) and other hazardous substances from the Lister facility. The Defendants asserted third-party claims against over 300 third-party defendants, including us, seeking contribution or cost recovery for the claims asserted by the NJDEP. On December 12, 2013, the NJDEP entered into a consent judgment resolving the NJDEP’s claims against all third-party defendants, and releasing third-party defendants for any obligation to comply with the terms of the Directive and for future natural resource damage claims that may be brought by the State of New Jersey to the extent such claims do not exceed 20% of the aggregate funds paid by the third-party defendants in settlement of the state court litigation. Subject to this reservation of rights by the NJDEP, the demands made by the NJDEP pursuant to the Directive, as they apply to us, are resolved.

In 2004, the United States Environmental Protection Agency (“EPA”) issued General Notice Letters (“GNL”) to over 100 entities, including us, alleging that they are PRPs at the Diamond Alkali Superfund Site, which includes a 17-mile stretch of the Lower Passaic River. In May 2007, over 70 GNL recipients, including us, entered into an Administrative Settlement Agreement and Order on Consent (“AOC”) with the EPA to perform a Remedial Investigation and Feasibility Study (“RI/FS”) for the 17-mile stretch of the Lower Passaic River, which is intended to address the investigation and evaluation of alternative remedial actions with respect to alleged damages to the Lower Passaic River. Most of the parties to the AOC, including us, are also members of a Cooperating Parties

Group ("CPG"). The CPG agreed to an interim allocation formula for purposes of allocating the costs to complete the RI/FS among its members, with the understanding that this interim allocation formula is not binding on the parties in terms of any potential liability for the costs to remediate the Lower Passaic River. The CPG submitted to the EPA its draft RI/FS in 2015, which sets forth various alternatives for remediating the 17-mile stretch of the Lower Passaic River. In October 2018, the EPA issued a letter directing the CPG to prepare a streamlined feasibility study for the upper 9-miles of the Lower Passaic River based on an iterative approach using adaptive management strategies. On August 12, 2019, the CPG submitted a draft Interim Remedy Feasibility Study to the EPA which identifies various targeted dredge and cap alternatives, which the EPA is still evaluating.

In addition to the RI/FS activities, other actions relating to the investigation and/or remediation of the Lower Passaic River have proceeded as follows. First, in June 2012, certain members of the CPG entered into an Administrative Settlement Agreement and Order on Consent ("10.9 AOC") with the EPA to perform certain remediation activities, including removal and capping of sediments at the river mile 10.9 area and certain testing. The EPA also issued a Unilateral Order to Occidental directing Occidental to participate and contribute to the cost of the river mile 10.9 work. Concurrent with the CPG's work on the RI/FS, on April 11, 2014, the EPA issued a draft Focused Feasibility Study ("FFS") with proposed remedial alternatives to remediate the lower 8-miles of the 17-mile stretch of the Lower Passaic River. The FFS was subject to public comments and objections, and on March 4, 2016, the EPA issued its Record of Decision ("ROD") for the lower 8-miles selecting a remedy that involves bank-to-bank dredging and installing an engineered cap with an estimated cost of $1,380,000,000. On March 31, 2016, we and more than 100 other PRPs received from the EPA a "Notice of Potential Liability and Commencement of Negotiations for Remedial Design" ("Notice"), which informed the recipients that the EPA intends to seek an Administrative Order on Consent and Settlement Agreement with Occidental (who the EPA considers the primary contributor of dioxin and other pesticides in the Lower Passaic River generated from the production of Agent Orange at its Diamond Alkali Company plant and a discharger of other contaminants of concern ("COCs") to the Lower Passaic River), for remedial design of the remedy selected in the ROD, after which the EPA plans to begin negotiations with "major" PRPs for implementation and/or payment of the selected remedy. The Notice also stated that the EPA believes that some of the PRPs and other parties not yet identified as will be eligible for a cash out settlement with the EPA. On September 30, 2016, Occidental entered into an agreement with the EPA to perform the remedial design for the remedy selected for the lower 8-miles of the Lower Passaic River. In December 2019, Occidental submitted a report to the EPA on the progress of the remedial design work, which is still ongoing.

Occidental has asserted that it is entitled to indemnification by Maxus and Tierra for its liability in connection with the Diamond Alkali Superfund Site. Occidental has also asserted that Maxus and Tierra's parent company, YPF, S.A. ("YPF") and certain of its affiliates must indemnify Occidental. On June 16, 2016, Maxus and Tierra filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In the Chapter 11 proceedings, YPF sought bankruptcy approval of a settlement under which YPF would pay $130,000,000 to the bankruptcy estate in exchange for a release in favor of Maxus, Tierra, YPF and YPF's affiliates of Maxus and Tierra's contractual environmental liability to Occidental. We and the CPG filed proofs of claims in the Maxus/Tierra bankruptcy proceedings for costs incurred by the CPG relating to the Lower Passaic River. In July 2017, an amended Chapter 11 plan of liquidation became effective and, in connection therewith, Maxus/Tierra and certain other parties, including us, entered into a mutual contribution release agreement pertaining to certain past costs, but not future remedy costs.

By letter dated March 30, 2017, the EPA advised the recipients of the Notice that it would be entering into cash out settlements with 20 PRPs to resolve their alleged liability for the lower 8-mile remedial action that is the subject of the ROD, who the EPA stated did not discharge any of the eight hazardous substances identified as a COC in the ROD. The letter also stated that other parties who did not discharge dioxins, furans or polychlorinated biphenyls (which are considered the COCs posing the greatest risk to the river) may also be eligible for cash out settlements, and that the EPA would begin a process for identifying other PRPs for negotiation of similar cash out settlements. We were not included in the initial group of 20 parties identified by the EPA for cash out settlements. In January 2018, the EPA published a notice of its intent to enter into a final settlement agreement with 15 of the identified 20 parties to resolve their respective alleged liability for the ROD work, each for a payment to the EPA in the amount of $280,600. In August 2017, the EPA appointed an independent third party allocation expert to conduct allocation proceedings with most of the remaining recipients of the Notice, which is anticipated to lead to additional offers of cash out settlements to certain additional parties and/or a consent decree in which parties that are not offered a cash out settlement will agree to perform the lower 8-mile remedial action. The allocation proceedings, which we are participating in, were scheduled to conclude by mid-2019, but have been extended and are still ongoing.

On June 30, 2018, Occidental filed a complaint in the United States District Court for the District of New Jersey seeking cost recovery and contribution under the Comprehensive Environmental Response, Compensation, and Liability Act for its alleged expenses with respect to the investigation, design, and anticipated implementation of the remedy for the lower 8-miles of the Passaic River. The complaint lists over 120 defendants, including us, many of who were also named in the NJDEP's 2003 Directive and the EPA's 2016 Notice. Factual discovery is ongoing, and we are defending the claims consistent with our defenses in the related proceedings.

Many uncertainties remain regarding how the EPA intends to implement the ROD. We anticipate that performance of the EPA's selected remedy will be subject to future negotiation, potential enforcement proceedings and/or possible litigation. The RI/FS, AOC, 10.9 AOC and Notice do not obligate us to fund or perform any remedial action contemplated by either the ROD or RI/FS and do not resolve liability issues for remedial work or the restoration of or compensation for alleged natural resource damages to the Lower Passaic River, which are not known at this time.

Based on currently known facts and circumstances, we do not believe that this matter is reasonably likely to have a material impact on our results of operations, including, among other factors, because we do not believe that there was any use or discharge of dioxins, furans or polychlorinated biphenyls in connection with our former petroleum storage operations at our former Newark, New Jersey Terminal, and because there are numerous other parties who will likely bear any costs of remediation and/or damages. However, our ultimate liability, if any, in the pending and possible future proceedings pertaining to the Lower Passaic River, and/or one or more adverse determinations related to this matter, are uncertain and subject to numerous contingencies which cannot be predicted and the outcome of which are not yet known. Therefore, it is possible that the ultimate liability resulting from this matter and the impact on our results of operations could be material.

MTBE Litigation – State of New Jersey

We are defending against a lawsuit brought by various governmental agencies of the State of New Jersey, including the NJDEP, alleging various theories of liability due to contamination of groundwater with MTBE involving multiple locations throughout the State of New Jersey (the "New Jersey MDL Proceedings"). The complaint names as defendants approximately 50 petroleum refiners, manufacturers, distributors and retailers of MTBE or gasoline containing MTBE. The State of New Jersey is seeking reimbursement of significant clean-up and remediation costs arising out of the alleged release of MTBE containing gasoline in the State of New Jersey and is asserting various natural resource damage claims as well as liability against the owners and operators of gasoline station properties from which the releases occurred. The majority of the named defendants have already settled their cases with the State of New Jersey. A portion of the case ("bellwether" trials) has been transferred to the United States District Court for the District of New Jersey for pre-trial proceedings and trial, although a trial date has not yet been set. We continue to engage in settlement negotiations and a dialogue with the plaintiffs' counsel to educate them on the unique role of the Company and our business as compared to other defendants in the litigation. Although the ultimate outcome of the New Jersey MDL Proceedings cannot be ascertained at this time, we believe that it is probable that this litigation will be resolved in a manner that is unfavorable to us. We are unable to estimate the possible loss or range of loss in excess of the amount accrued for the New Jersey MDL Proceedings as we do not believe that plaintiffs' settlement proposal is realistic and there remains uncertainty as to the allegations in this case as they relate to us, our defenses to the claims, our rights to indemnification or contribution from other parties and the aggregate possible amount of damages for which we may be held liable. It is possible that losses related to the New Jersey MDL Proceedings could exceed the amounts accrued as of March 31, 2020, which could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

MTBE Litigation – State of Pennsylvania

On July 7, 2014, our subsidiary, Getty Properties Corp., was served with a complaint filed by the Commonwealth of Pennsylvania (the "State") in the Court of Common Pleas, Philadelphia County relating to alleged statewide MTBE contamination in Pennsylvania. The complaint names us and more than 50 other defendants, including petroleum refiners, manufacturers, distributors and retailers of MTBE or gasoline containing MTBE. The complaint seeks compensation for natural resource damages and for injuries sustained as a result of "defendants' unfair and deceptive trade practices and acts in the marketing of MTBE and gasoline containing MTBE." The plaintiffs also seek to recover costs paid or incurred by the State to detect, treat and remediate MTBE from public and private water wells and groundwater. The plaintiffs assert causes of action against all defendants based on multiple theories, including strict liability – defective design; strict liability – failure to warn; public nuisance; negligence; trespass; and violation of consumer protection law.

The case was filed in the Court of Common Pleas, Philadelphia County, but was removed by defendants to the United States District Court for the Eastern District of Pennsylvania and then transferred to the United States District Court for the Southern District of New York so that it may be managed as part of the ongoing MTBE MDL proceedings. In November 2015, plaintiffs filed a second amended complaint naming additional defendants and adding factual allegations intended to bolster their claims against the defendants. We have joined with other defendants in the filing of a motion to dismiss the claims against us. This motion is pending with the Court. We intend to defend vigorously the claims made against us. Our ultimate liability, if any, in this proceeding is uncertain and subject to numerous contingencies which cannot be predicted and the outcome of which are not yet known.

MTBE Litigation – State of Maryland

On December 17, 2017, the State of Maryland, by and through the Attorney General on behalf of the Maryland Department of Environment and the Maryland Department of Health (the "State of Maryland"), filed a complaint in the Circuit Court for Baltimore City related to alleged statewide MTBE contamination in Maryland. The complaint was served upon us on January 19, 2018. The complaint names us and more than 60 other defendants, including petroleum refiners, manufacturers, distributors and retailers of MTBE or gasoline containing MTBE. The complaint seeks compensation for natural resource damages and for injuries sustained as a result of the defendants' unfair and deceptive trade practices in the marketing of MTBE and gasoline containing MTBE. The plaintiffs also seek to recover costs paid or incurred by the State of Maryland to detect, investigate, treat and remediate MTBE from public and private water wells and groundwater, punitive damages and the award of attorneys' fees and litigation costs. The plaintiffs assert causes of action against all defendants based on multiple theories, including strict liability – defective design; strict liability – failure to warn; strict liability for abnormally dangerous activity; public nuisance; negligence; trespass; and violations of Titles 4, 7 and 9 of the Maryland Environmental Code.

On February 14, 2018, defendants removed the case to the United States District Court for the District of Maryland. It is unclear whether the matter will ultimately be removed to the MTBE MDL proceedings or remain in federal court in Maryland. We intend to defend vigorously the claims made against us. Our ultimate liability, if any, in this proceeding is uncertain and subject to numerous contingencies which cannot be predicted and the outcome of which are not yet known.

Uniondale, New York Litigation

In September 2004, the State of New York commenced an action against us, United Gas Corp., Costa Gas Station, Inc., Vincent Costa, Sharon Irni, The Ingraham Bedell Corporation, Richard Berger and Exxon Mobil Corporation 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 gasoline station properties located in the same vicinity in Uniondale, New York, 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. In 2007, the State of New York commenced action against Shell Oil Company, Shell Oil Products Company, Motiva Enterprises, LLC, and related parties, in the New York Supreme Court, Albany County seeking basically the same relief sought in the action involving us. We have also filed a third-party complaint against Hess Corporation, Sprague Operating Resources LLC (successor to RAD Energy Corp.), Service Station Installation of NY, Inc., and certain individual defendants based on alleged contribution to the contamination that is the subject of the State of New York's claims arising from a petroleum discharge at a gasoline station up-gradient from the site formerly owned by us. In 2016, the various actions filed by the State of New York and our third-party actions were consolidated for discovery proceedings and trial. Discovery in this case is in later stages and, as it nears completion, a schedule for trial will be established. We are unable to estimate the possible loss or range of loss in excess of the amount we have accrued for this lawsuit. It is possible that losses related to this case could exceed the amounts accrued, as of March 31, 2020, which could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends or stock price.

NOTE 5. — DEBT

The amounts outstanding under our Restated Credit Agreement and our senior unsecured notes are as follows (in thousands):

	Maturity Date	Interest Rate	March 31, 2020	December 31, 2019
Unsecured Revolving Credit Facility	March 2022	2.63%	$ 85,000	$ 20,000
Series A Notes	February 2021	6.00%	100,000	100,000
Series B Notes	June 2023	5.35%	75,000	75,000
Series C Notes	February 2025	4.75%	50,000	50,000
Series D Notes	June 2028	5.47%	50,000	50,000
Series E Notes	June 2028	5.47%	50,000	50,000
Series F Notes	September 2029	3.52%	50,000	50,000
Series G Notes	September 2029	3.52%	50,000	50,000
Series H Notes	September 2029	3.52%	25,000	25,000
Total debt			535,000	470,000
Unamortized debt issuance costs, net (a)			(2,689)	(2,949)
Total debt, net			$ 532,311	$ 467,051

(a) Unamortized debt issuance costs, related to the Revolving Facility, at March 31, 2020 and December 31, 2019, of $1,794 and $2,014, respectively, are included in prepaid expenses and other assets on our consolidated balance sheets.

Credit Agreement

On June 2, 2015, we entered into a $225,000,000 senior unsecured credit agreement (the "Credit Agreement") with a group of banks led by Bank of America, N.A. The Credit Agreement consisted of a $175,000,000 unsecured revolving credit facility (the "Revolving Facility") and a $50,000,000 unsecured term loan (the "Term Loan").

On March 23, 2018, we entered into an amended and restated credit agreement (as amended, the "Restated Credit Agreement") amending and restating our Credit Agreement. Pursuant to the Restated Credit Agreement, we (a) increased the borrowing capacity under the Revolving Facility from $175,000,000 to $250,000,000, (b) extended the maturity date of the Revolving Facility from June

2018 to March 2022, (c) extended the maturity date of the Term Loan from June 2020 to March 2023 and (d) amended certain financial covenants and provisions.

On September 19, 2018, we entered into an amendment (the “First Amendment”) of our Restated Credit Agreement. The First Amendment modifies the Restated Credit Agreement to, among other things: (i) reflect that we had previously entered into (a) an amended and restated note purchase and guarantee agreement with The Prudential Insurance Company of America (“Prudential”) and certain of its affiliates and (b) a note purchase and guarantee agreement with the Metropolitan Life Insurance Company (“MetLife”) and certain of its affiliates; and (ii) permit borrowings under each of the Revolving Facility and the Term Loan at three different interest rates, including a rate based on the LIBOR Daily Floating Rate (as defined in the First Amendment) plus the Applicable Rate (as defined in the First Amendment) for such facility.

On September 12, 2019, in connection with prepayment of the Term Loan, we entered into a consent and amendment (the “Second Amendment”) of our Restated Credit Agreement. The Second Amendment modifies the Restated Credit Agreement to, among other things, (a) increase our borrowing capacity under the Revolving Facility from $250,000,000 to $300,000,000 and (b) decrease lender commitments under the Term Loan to $0.

Subject to the terms of the Restated Credit Agreement and our continued compliance with its provisions, we have the option to (a) extend the term of the Revolving Facility for one additional year to March 2023 and (b) request that the lenders approve an increase of up to $300,000,000 in the amount of the Revolving Facility to $600,000,000 in the aggregate. The Restated Credit Agreement incurs interest and fees at various rates based on our total indebtedness to total asset value ratio at the end of each quarterly reporting period. The Revolving Facility permits borrowings at an interest rate equal to the sum of a base rate plus a margin of 0.50% to 1.30% or a LIBOR rate plus a margin of 1.50% to 2.30%. The annual commitment fee on the undrawn funds under the Revolving Facility is 0.15% to 0.25%.

Senior Unsecured Notes

On September 12, 2019, we entered into a fourth amended and restated note purchase and guarantee agreement (the “Fourth Restated Prudential Note Purchase Agreement”) amending and restating our existing senior note purchase agreement with Prudential and certain of its affiliates. Pursuant to the Fourth Restated Prudential Note Purchase Agreement, we agreed that our (a) 6.0% Series A Guaranteed Senior Notes due February 25, 2021, in the original aggregate principal amount of $100,000,000 (the “Series A Notes”), (b) 5.35% Series B Guaranteed Senior Notes due June 2, 2023, in the original aggregate principal amount of $75,000,000 (the “Series B Notes”), (c) 4.75% Series C Guaranteed Senior Notes due February 25, 2025, in the aggregate principal amount of $50,000,000 (the “Series C Notes”) and (d) 5.47% Series D Guaranteed Senior Notes due June 21, 2028, in the aggregate principal amount of $50,000,000 (the “Series D Notes”) that were outstanding under the existing senior note purchase agreement would continue to remain outstanding under the Fourth Restated Prudential Note Purchase Agreement and we authorized and issued our 3.52% Series F Guaranteed Senior Notes due September 12, 2029, in the aggregate principal amount of $50,000,000 (the “Series F Notes” and, together with the Series A Notes, Series B Notes, Series C Notes and Series D Notes, the “Notes”). The Fourth Restated Prudential Note Purchase Agreement does not provide for scheduled reductions in the principal balance of the Notes prior to their respective maturities.

On June 21, 2018, we entered into a note purchase and guarantee agreement (the “MetLife Note Purchase Agreement”) with MetLife and certain of its affiliates. Pursuant to the MetLife Note Purchase Agreement, we authorized and issued our 5.47% Series E Guaranteed Senior Notes due June 21, 2028, in the aggregate principal amount of $50,000,000 (the “Series E Notes”). The MetLife Note Purchase Agreement does not provide for scheduled reductions in the principal balance of the Series E Notes prior to their maturity.

On September 12, 2019, we entered into a note purchase and guarantee agreement (the “AIG Note Purchase Agreement”) with American General Life Insurance Company. Pursuant to the AIG Note Purchase Agreement, we authorized and issued our 3.52% Series G Guaranteed Senior Notes due September 12, 2029, in the aggregate principal amount of $50,000,000 (the “Series G Notes”). The AIG Note Purchase Agreement does not provide for scheduled reductions in the principal balance of the Series G Notes prior to their maturity.

On September 12, 2019, we entered into a note purchase and guarantee agreement (the “MassMutual Note Purchase Agreement”) with Massachusetts Mutual Life Insurance Company and certain of its affiliates. Pursuant to the MassMutual Note Purchase Agreement, we authorized and issued our 3.52% Series H Guaranteed Senior Notes due September 12, 2029, in the aggregate principal amount of $25,000,000 (the “Series H Notes”). The MassMutual Note Purchase Agreement does not provide for scheduled reductions in the principal balance of the Series H Notes prior to their maturity.

Covenants

The Restated Credit Agreement and our senior unsecured notes contain customary financial covenants such as leverage, coverage ratios and minimum tangible net worth, as well as limitations on restricted payments, which may limit our ability to incur additional debt or pay dividends. The Restated Credit Agreement and our senior unsecured notes also contain customary events of default, including cross defaults to each other, change of control and failure to maintain REIT status (provided that the senior unsecured notes require a mandatory offer to prepay the notes upon a change in control in lieu of a change of control event of default). Any event of default, if not cured or waived in a timely manner, would increase by 200 basis points (2.00%) the interest rate we pay under the Restated Credit Agreement and our senior unsecured notes, and could result in the acceleration of our indebtedness under the Restated Credit Agreement and our senior unsecured notes. We may be prohibited from drawing funds under the Revolving Facility if there is any event or condition that constitutes an event of default under the Restated Credit Agreement or that, with the giving of any notice, the passage of time, or both, would be an event of default under the Restated Credit Agreement.

As of March 31, 2020, we are in compliance with all of the material terms of the Restated Credit Agreement and our senior unsecured notes, including the various financial covenants described herein.

Debt Maturities

As of March 31, 2020, scheduled debt maturities, including balloon payments, are as follows (in thousands):

	Revolving Facility	Senior Unsecured Notes	Total
2020	$ —	$ —	$ —
2021	—	100,000	100,000
2022 (a)	85,000	—	85,000
2023	—	75,000	75,000
2024	—	—	—
Thereafter	—	275,000	275,000
Total	$ 85,000	$ 450,000	$ 535,000

(a) The Revolving Facility matures in March 2022. Subject to the terms of the Restated Credit Agreement and our continued compliance with its provisions, we have the option to extend the term of the Revolving Facility for one additional year to March 2023.

NOTE 6. — ENVIRONMENTAL OBLIGATIONS

We are subject to numerous federal, state and local laws and regulations, including matters relating to the protection of the environment such as the remediation of known contamination and the retirement and decommissioning or removal of long-lived assets including buildings containing hazardous materials, USTs and other equipment. Environmental costs are principally attributable to remediation costs which are incurred for, among other things, removing USTs, excavation of contaminated soil and water, installing, operating, maintaining and decommissioning remediation systems, monitoring contamination and governmental agency compliance reporting required in connection with contaminated properties.

We enter into leases and various other agreements which contractually allocate responsibility between the parties for known and unknown environmental liabilities at or relating to the subject properties. We are contingently liable for these environmental obligations in the event that our tenant does not satisfy them, and we are required to accrue for environmental liabilities that we believe are allocable to others under our leases if we determine that it is probable that our tenant will not meet its environmental obligations. It is possible that our assumptions regarding the ultimate allocation method and share of responsibility that we used to allocate environmental liabilities may change, which may result in material adjustments to the amounts recorded for environmental litigation accruals and environmental remediation liabilities. We assess whether to accrue for environmental liabilities based upon relevant factors including our tenants' histories of paying for such obligations, our assessment of their financial capability, and their intent to pay for such obligations. 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 may ultimately be responsible to pay for environmental liabilities as the property owner if our tenant fails to pay them.

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

For substantially all of our triple-net leases, our tenants are contractually responsible for compliance with environmental laws and regulations, removal of USTs at the end of their lease term (the cost of which in certain cases is partially borne by us) and remediation of any environmental contamination that arises during the term of their tenancy. Under the terms of our leases covering properties previously leased to Marketing (substantially all of which commenced in 2012), we have agreed to be responsible for environmental contamination at the premises that was known at the time the lease commenced, and for environmental contamination which existed prior to commencement of the lease and is discovered (other than as a result of a voluntary site investigation) during the first 10 years of the lease term (or a shorter period for a minority of such leases). After expiration of such 10-year (or, in certain cases, shorter) period, responsibility for all newly discovered contamination, even if it relates to periods prior to commencement of the lease, is contractually allocated to our tenant. Our tenants at properties previously leased to Marketing are in all cases responsible for the cost of any remediation of contamination that results from their use and occupancy of our properties. Under substantially all of our other triple-net leases, responsibility for remediation of all environmental contamination discovered during the term of the lease (including known and unknown contamination that existed prior to commencement of the lease) is the responsibility of our tenant.

We anticipate that a majority of the USTs at properties previously leased to Marketing will be replaced over the next several years because these USTs are either at or near the end of their useful lives. For long-term, triple-net leases covering sites previously leased to Marketing, our tenants are responsible for the cost of removal and replacement of USTs and for remediation of contamination found during such UST removal and replacement, unless such contamination was found during the first 10 years of the lease term and also existed prior to commencement of the lease. In those cases, we are responsible for costs associated with the remediation of such preexisting contamination. We have also agreed to be responsible for environmental contamination that existed prior to the sale of certain properties assuming the contamination is discovered (other than as a result of a voluntary site investigation) during the first five years after the sale of the properties.

In the course of certain UST removals and replacements at properties previously leased to Marketing where we retained continuing responsibility for preexisting environmental obligations, previously unknown environmental contamination was and continues to be discovered. As a result, we have developed an estimate of fair value for the prospective future environmental liability resulting from preexisting unknown environmental contamination and have accrued for these estimated costs. These estimates are based primarily upon quantifiable trends which we believe allow us to make reasonable estimates of fair value for the future costs of environmental remediation resulting from the removal and replacement of USTs. Our accrual of the additional liability represents our estimate of the fair value of cost for each component of the liability, net of estimated recoveries from state UST remediation funds considering estimated recovery rates developed from prior experience with the funds. In arriving at our accrual, we analyzed the ages of USTs at properties where we would be responsible for preexisting contamination found within 10 years after commencement of a lease (for properties subject to long-term triple-net leases) or five years from a sale (for divested properties), and projected a cost to closure for preexisting unknown environmental contamination.

We measure our environmental remediation liabilities at fair value based on expected future net cash flows, adjusted for inflation (using a range of 2.0% to 2.75%), and then discount them to present value (using a range of 4.0% to 7.0%). We adjust our environmental remediation liabilities quarterly to reflect changes in projected expenditures, changes in present value due to the passage of time and reductions in estimated liabilities as a result of actual expenditures incurred during each quarter. As of March 31, 2020, we had accrued a total of $50,358,000 for our prospective environmental remediation obligations. This accrual consisted of (a) $12,439,000, which was our estimate of reasonably estimable environmental remediation liability, including obligations to remove USTs for which we are responsible, net of estimated recoveries and (b) $37,919,000 for future environmental liabilities related to preexisting unknown contamination. As of December 31, 2019, we had accrued a total of $50,723,000 for our prospective environmental remediation obligations. This accrual consisted of (a) $12,470,000, which was our estimate of reasonably estimable environmental remediation liability, including obligations to remove USTs for which we are responsible, net of estimated recoveries and (b) $38,253,000 for future environmental liabilities related to preexisting unknown contamination.

Environmental liabilities are accreted for the change in present value due to the passage of time and, accordingly, $466,000 and $538,000 of net accretion expense was recorded for the three months ended March 31, 2020 and 2019, respectively, which is included in environmental expenses. In addition, during the three months ended March 31, 2020 and 2019, we recorded credits to environmental expenses aggregating $788,000 and $341,000, respectively, where decreases in estimated remediation costs exceeded the depreciated carrying value of previously capitalized asset retirement costs. Environmental expenses also include project management fees, legal fees and environmental litigation accruals. For the three months ended March 31, 2020 and 2019, changes in environmental estimates aggregating, $32,000 and $49,000, respectively, were related to properties that were previously disposed of by us.

During the three months ended March 31, 2020 and 2019, we increased the carrying values of certain of our properties by $812,000 and $759,000, respectively, due to changes in estimated environmental remediation costs. The recognition and subsequent changes in estimates in environmental liabilities and the increase or decrease in carrying values of the properties are non-cash transactions which do not appear on our consolidated statements of cash flows.

Capitalized asset retirement costs are being depreciated over the estimated remaining life of the UST, a 10-year period if the increase in carrying value is related to environmental remediation obligations or such shorter period if circumstances warrant, such as the remaining lease term for properties we lease from others. Depreciation and amortization expense related to capitalized asset retirement costs in our consolidated statements of operations for the three months ended March 31, 2020 and 2019, was $1,002,000 and $1,047,000, respectively. Capitalized asset retirement costs were $39,288,000 (consisting of $22,279,000 of known environmental liabilities and $17,009,000 of reserves for future environmental liabilities) as of March 31, 2020, and $39,684,000 (consisting of $22,150,000 of known environmental liabilities and $17,534,000 of reserves for future environmental liabilities) as of December 31, 2019. We recorded impairment charges aggregating $941,000 and $749,000 for the three months ended March 31, 2020 and 2019, respectively, for capitalized asset retirement costs.

Environmental exposures are difficult to assess and estimate for numerous reasons, including the amount of data available upon initial assessment 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, changes in costs associated with environmental remediation services and equipment, the availability of state UST remediation funds and the possibility of existing legal claims giving rise to allocation of responsibilities to others, as well as the time it takes to remediate contamination and receive regulatory approval. In developing our liability for estimated environmental remediation obligations on a property by property basis, we consider, among other things, 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 derived upon facts known to us at this time, which are subject to significant change as circumstances change, and as environmental contingencies become more clearly defined and reasonably estimable.

Any changes to our estimates or our assumptions that form the basis of our estimates may result in our providing an accrual, or adjustments to the amounts recorded, for environmental remediation liabilities.

In July 2012, we purchased a 10-year pollution legal liability insurance policy covering substantially all of our properties at that time for preexisting unknown environmental liabilities and new environmental events. The policy has a $50,000,000 aggregate limit and is subject to various self-insured retentions and other conditions and limitations. Our intention in purchasing this policy was to obtain protection predominantly for significant events. In addition to the environmental insurance policy purchased by the Company, we also took assignment of certain environmental insurance policies, and rights to reimbursement for claims made thereunder, from Marketing, by order of the U.S. Bankruptcy Court during Marketing's bankruptcy proceedings. Under these assigned polices, we have received and expect to continue to receive reimbursement of certain remediation expenses for covered claims.

In light of the uncertainties associated with environmental expenditure contingencies, we are unable to estimate ranges in excess of the amount accrued with any certainty; however, we believe that it is possible that the fair value of future actual net expenditures could be substantially higher than amounts currently recorded by us. Adjustments to accrued liabilities for environmental remediation obligations will be reflected in our consolidated financial statements as they become probable and a reasonable estimate of fair value can be made.

NOTE 7. — STOCKHOLDERS' EQUITY

A summary of the changes in stockholders' equity for the three months ended March 31, 2020 and 2019, is as follows (in thousands except per share amounts):

	Common Stock		Additional Paid-in	Dividends Paid In Excess	
	Shares	Amount	Capital	Of Earnings	Total
BALANCE, DECEMBER 31, 2019	41,368	$ 414	$ 656,127	$ (67,102)	$ 589,439
Net earnings				12,700	12,700
Cumulative-effect adjustment for the adoption of new accounting pronouncement (Note 2)				(886)	(886)
Dividends declared — $0.37 per share				(15,632)	(15,632)
Shares issued pursuant to ATM Program, net	—	—	(27)	—	(27)
Shares issued pursuant to dividend reinvestment	12	—	394	—	394
Stock-based compensation/settlements	11	—	487	—	487
BALANCE, MARCH 31, 2020	41,391	$ 414	$ 656,981	$ (70,920)	$ 586,475

	Common Stock		Additional Paid-in	Dividends Paid In Excess	
	Shares	Amount	Capital	Of Earnings	Total
BALANCE, DECEMBER 31, 2018	40,855	$ 409	$ 638,178	$ (57,423)	$ 581,164
Net earnings				10,927	10,927
Dividends declared — $0.35 per share				(14,555)	(14,555)
Shares issued pursuant to ATM Program, net	—	—	(17)	—	(17)
Shares issued pursuant to dividend reinvestment	12	—	357	—	357
Stock-based compensation/settlements	16	—	359	—	359
BALANCE, MARCH 31, 2019	40,883	$ 409	$ 638,877	$ (61,051)	$ 578,235

On March 2, 2020, our Board of Directors granted 176,050 restricted stock units ("RSU" or "RSUs") under our Amended and Restated 2004 Omnibus Incentive Compensation Plan. On March 1, 2019, our Board of Directors granted 156,750 of RSUs under our Amended and Restated 2004 Omnibus Incentive Compensation Plan.

ATM Program

In March 2018, we established an at-the-market equity offering program (the "ATM Program"), pursuant to which we are able to issue and sell shares of our common stock with an aggregate sales price of up to $125,000,000 through a consortium of banks acting as agents. Sales of the shares of common stock may be made, as needed, from time to time in at-the-market offerings as defined in Rule 415 of the Securities Act, including by means of ordinary brokers' transactions on the New York Stock Exchange or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or as otherwise agreed to with the applicable agent.

During the three months ended March 31, 2020 and 2019, no shares of common stock were issued under the ATM Program. Future sales, if any, will depend on a variety of factors to be determined by us from time to time, including among others, market conditions, the trading price of our common stock, determinations by us of the appropriate sources of funding for us and potential uses of funding available to us.

Dividends

For the three months ended March 31, 2020, we paid regular quarterly dividends of $15,557,000 or $0.37 per share. For the three months ended March 31, 2019, we paid regular quarterly dividends of $14,495,000 or $0.35 per share.

Dividend Reinvestment Plan

Our dividend reinvestment plan provides our common stockholders with a convenient and economical method of acquiring additional shares of common stock by reinvesting all or a portion of their dividend distributions. During the three months ended March 31, 2020 and 2019, we issued 12,309 and 12,363 shares of common stock, respectively, under the dividend reinvestment plan and received proceeds of $394,000 and $357,000, respectively.

Stock-Based Compensation

Compensation cost for our stock-based compensation plans using the fair value method was $732,000 and $474,000 for the three months ended March 31, 2020 and 2019, respectively, and is included in general and administrative expense in our consolidated statements of operations.

NOTE 8. — EARNINGS PER COMMON SHARE

Basic and diluted earnings per common share gives effect, utilizing the two-class method, to the potential dilution from the issuance of shares of our common stock in settlement of RSUs which provide for non-forfeitable dividend equivalents equal to the dividends declared per common share. Basic and diluted earnings per common share is computed by dividing net earnings less dividend equivalents attributable to RSUs by the weighted average number of common shares outstanding during the period.

The following table is a reconciliation of the numerator and denominator used in the computation of basic and diluted earnings per common share using the two-class method (in thousands except per share data):

	Three Months Ended March 31,	
	2020	**2019**
Net earnings	$ 12,700	$ 10,927
Less earnings attributable to RSUs outstanding	(318)	(246)
Net earnings attributable to common stockholders used in basic and diluted earnings per share calculation	12,382	10,681
Weighted average common shares outstanding:		
Basic	41,383	40,873
Incremental shares from stock-based compensation	8	18
Diluted	41,391	40,891
Basic earnings per common share	$ 0.30	$ 0.26
Diluted earnings per common share	$ 0.30	$ 0.26

NOTE 9. — FAIR VALUE MEASUREMENTS

Debt Instruments

As of March 31, 2020 and December 31, 2019, the carrying value of the borrowings under the Restated Credit Agreement approximated fair value. As of March 31, 2020 and December 31, 2019, the fair value of the borrowings under our senior unsecured notes was $447,100,000 and $470,600,000, respectively. The fair value of the borrowings outstanding as of March 31, 2020 and December 31, 2019, was determined using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration, risk profile and borrowings outstanding, which are based on unobservable inputs within Level 3 of the Fair Value Hierarchy.

Supplemental Retirement Plan

We have mutual fund assets that are measured at fair value on a recurring basis using Level 1 inputs. We have a Supplemental Retirement Plan for executives. The amounts held in trust under the Supplemental Retirement Plan using Level 2 inputs may be used to satisfy claims of general creditors in the event of our or any of our subsidiaries' bankruptcy. We have liability to the executives participating in the Supplemental Retirement Plan for the participant account balances equal to the aggregate of the amount invested at the executives' direction and the income earned in such mutual funds.

The following summarizes as of March 31, 2020, our assets and liabilities measured at fair value on a recurring basis by level within the Fair Value Hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	$ 645	$ —	$ —	$ 645
Liabilities:				
Deferred compensation	$ —	$ 645	$ —	$ 645

The following summarizes as of December 31, 2019, our assets and liabilities measured at fair value on a recurring basis by level within the Fair Value Hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	$ 737	$ —	$ —	$ 737
Liabilities:				
Deferred compensation	$ —	$ 737	$ —	$ 737

Real Estate Assets

We have certain real estate assets that are measured at fair value on a non-recurring basis using Level 3 inputs as of March 31, 2020 and December 31, 2019, of $785,000, where impairment charges have been recorded. Due to the subjectivity inherent in the internal valuation techniques used in estimating fair value, the amounts realized from the sale of such assets may vary significantly from these estimates.

NOTE 10. — ASSETS HELD FOR SALE

We evaluate the held for sale classification of our real estate as of the end of each quarter. Assets that are classified as held for sale are recorded at the lower of their carrying amount or fair value less costs to sell. As of March 31, 2020, there were no properties that met the criteria to be classified as held for sale.

During the three months ended March 31, 2020, we sold four properties, in separate transactions, which resulted in an aggregate gain of $869,000, included in gain (loss) on dispositions of real estate on our consolidated statements of operations. During the three months ended March 31, 2019 we received funds from a property condemnation resulting in a loss of $51,000, included in gain (loss) on dispositions of real estate in our consolidated statements of operations.

NOTE 11. — PROPERTY ACQUISITIONS

During the three months ended March 31, 2020, we acquired fee simple interests in 12 car wash properties for an aggregate purchase price of $57,321,000.

On February 4, 2020, and February 26, 2020, we acquired fee simple interests in ten car wash properties for an aggregate purchase price of $50,303,000 and entered into a unitary lease at the closing of the transactions. We funded the transactions through funds available under our Revolving Facility. The unitary lease provides for an initial term of 15 years, with five five-year renewal options. The unitary lease requires our tenant to pay a fixed annual rent plus all amounts pertaining to the properties, including environmental expenses, real estate taxes, assessments, license and permit fees, charges for public utilities and all other governmental charges. Rent is scheduled to increase annually during the initial and renewal terms of the lease. The properties are located in Missouri and Kansas. We accounted for the acquisitions as asset acquisitions. We estimated the fair value of acquired tangible assets (consisting of land, buildings and improvements) "as if vacant." Based on these estimates, we allocated $4,775,000 of the purchase price to land, $41,093,000 to buildings and improvements, $3,727,000 to in-place leases, $1,955,000 to above-market leases and $1,247,000 to below-market leases which is accounted for as a deferred liability.

In addition, during the three months ended March 31, 2020, we also acquired fee simple interests in two car wash properties for an aggregate purchase price of $7,018,000. We accounted for the acquisitions of fee simple interests as asset acquisitions. We estimated the fair value of acquired tangible assets (consisting of land, buildings and improvements) "as if vacant." Based on these estimates, we allocated $1,414,000 of the purchase price to land, $5,076,000 to buildings and improvements and $528,000 to in-place leases.

There were no property acquisitions during the three months ended March 31, 2019.

During the year ended December 31, 2019, we acquired fee simple interests in 27 convenience store and gasoline station, and other automotive related properties for an aggregate purchase price of $87,157,000.

On June 17, 2019, we acquired fee simple interests in six convenience store and gasoline station properties for $24,724,000 and entered into a unitary lease with 1234M Division Street Inc. ("1234 M") at the closing of the transaction. We funded the 1234 M transaction through funds available under our Revolving Facility. The unitary lease provides for an initial term of 15 years, with two ten-year renewal options. The unitary lease requires 1234 M to pay a fixed annual rent plus all amounts pertaining to the properties, including environmental expenses, real estate taxes, assessments, license and permit fees, charges for public utilities and all other governmental charges. Rent is scheduled to increase annually during the initial and renewal terms of the lease. The properties are located primarily in the metro Los Angeles, CA area. We accounted for the acquisition of the properties as an asset acquisition. We estimated the fair value of acquired tangible assets (consisting of land, buildings and improvements) "as if vacant." Based on these estimates, we allocated $18,086,000 of the purchase price to land, $4,789,000 to buildings and improvements, $1,849,000 to in-place leases.

On November 22, 2019, we acquired fee simple interests in four car wash properties for $14,144,000 and entered into a unitary lease with a QNC OpCo Inc. ("QNC") at the closing of the transaction. We funded the QNC transaction through funds available under our Revolving Facility. The unitary lease provides for an initial term of 15 years, with five five-year renewal options. The unitary lease requires QNC to pay a fixed annual rent plus all amounts pertaining to the properties, including environmental expenses, real estate taxes, assessments, license and permit fees, charges for public utilities and all other governmental charges. Rent is scheduled to increase annually during the initial and renewal terms of the lease. The properties are all located in Las Vegas, NV. We accounted for the acquisition of the properties as an asset acquisition. We estimated the fair value of acquired tangible assets (consisting of land, buildings and improvements) "as if vacant." Based on these estimates, we allocated $2,663,000 of the purchase price to land, $10,469,000 to buildings and improvements and $1,012,000 to in-place leases.

In addition, during the year ended December 31, 2019, we also acquired fee simple interests in 17 convenience store and gasoline station, and other automotive related properties, in separate transactions, for an aggregate purchase price of $48,290,000. We accounted for these acquisitions as asset acquisitions. We estimated the fair value of acquired tangible assets for each of these acquisitions (consisting of land, buildings and improvements) "as if vacant." Based on these estimates, we allocated $18,820,000 of the purchase price to land, $26,790,000 to buildings and improvements and $2,744,000 to in-place leases, $277,000 to above-market leases and $341,000 to below-market leases, which is accounted for as a deferred liability.

NOTE 12. — SUBSEQUENT EVENTS

In preparing our unaudited consolidated financial statements, we have evaluated events and transactions occurring after March 31, 2020, for recognition or disclosure purposes. Based on this evaluation, there were no significant subsequent events from March 31, 2020, through the date the financial statements were issued, other than the disclosures herein.

During and subsequent to the quarter ended March 31, 2020, the world was impacted by the spread of the novel coronavirus ("COVID-19"), which has been declared a pandemic by the World Health Organization. The COVID-19 pandemic has created significant uncertainty and economic volatility. While we did not incur significant disruptions during the quarter ended March 31, 2020, from the COVID-19 pandemic, we are unable to predict at this time the extent to which the COVID-19 pandemic will impact our business, operations and financial results. Any impact to the our business, operations and financial results will depend on numerous evolving factors, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the impact on economic activity from the pandemic and actions taken in response; the effect on our tenants and their businesses; the ability of our tenants to make their rental payments and any closures of tenants' facilities. Any of these events could materially adversely impact our business, financial condition, results of operations or stock price.

As of May 6, 2020, we received April contractual base rent and mortgage payments from approximately 97% of our tenants or mortgagors, as applicable. In addition, we received a number of short-term rent or mortgage payment relief requests, most of them in the form of requests for deferral of payments or requests for further discussion of COVID-19 related relief. We are evaluating each rent or mortgage payment relief request on an individual basis, considering a number of factors. Not all of the requests made to the Company will result in agreements and we are not considering the waiver or modification of any of our contractual rights under our lease agreements or mortgages. April collections and rent or mortgage payment relief requests to date may not be indicative of collections or requests in any future period. Accordingly, the impact of COVID-19 on our rental revenue or interest income for the second quarter of 2020 and thereafter cannot be determined at present.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the sections entitled "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019; and "Part I, Item 1. Financial Statements" and "Part II, Item 1A. Risk Factors" in this Quarterly Report on Form 10-Q.

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute "forward-looking statements" within the meaning of the federal securities laws, including 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"). Statements preceded by, followed by, or that otherwise include the words "believes," "expects," "seeks," "plans," "projects," "estimates," "anticipates," "predicts" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and are not historical facts. (All capitalized and undefined terms used in this section shall have the same meanings hereafter defined in this Quarterly Report on Form 10-Q.)

Examples of forward-looking statements included in this Quarterly Report on Form 10-Q include, but are not limited to, our statements regarding our network of convenience store and gasoline station properties; substantial compliance of our properties with federal, state and local provisions enacted or adopted pertaining to environmental matters; the effects of recently enacted U.S. federal tax reform and other legislative, regulatory and administrative developments; the impact of existing legislation and regulations on our competitive position; our prospective future environmental liabilities, including those resulting from preexisting unknown environmental contamination; quantifiable trends, which we believe allow us to make reasonable estimates of fair value for the future costs of environmental remediation resulting from the removal and replacement of USTs; the impact of our redevelopment efforts related to certain of our properties; the amount of revenue we expect to realize from our properties; our belief that our owned and leased properties are adequately covered by casualty and liability insurance; AFFO as a measure that best represents our core operating performance and its utility in comparing the sustainability of our core operating performance with the sustainability of the core operating performance of other REITs; the reasonableness of our estimates, judgments, projections and assumptions used regarding our accounting policies and methods; our critical accounting policies; our exposure and liability due to and our accruals, estimates and assumptions regarding our environmental liabilities and remediation costs; loan loss reserves or allowances; our belief that our accruals for environmental and litigation matters including matters related to our former Newark, New Jersey Terminal and the Lower Passaic River, our MTBE multi-district litigation cases in the states of New Jersey, Pennsylvania and Maryland, and our lawsuit with the State of New York pertaining to a property formerly owned by us in Uniondale, New York, were appropriate based on the information then available; our claims for reimbursement of monies expended in the defense and settlement of certain MTBE cases under pollution insurance policies; compliance with federal, state and local provisions enacted or adopted pertaining to environmental matters; our beliefs about the settlement proposals we receive and the probable outcome of litigation or regulatory actions and their impact on us; our expected recoveries from UST funds; our indemnification obligations and the indemnification obligations of others; our investment strategy and its impact on our financial performance; the adequacy of our current and anticipated cash flows from operations, borrowings under our Restated Credit Agreement and available cash and cash equivalents; our continued compliance with the covenants in our Restated Credit Agreement and our senior unsecured notes; our belief that certain environmental liabilities can be allocated to others under various agreements; our belief that our real estate assets are not carried at amounts in excess of their estimated net realizable fair value amounts; our beliefs regarding our properties, including their alternative uses and our ability to sell or lease our vacant properties over time; and our ability to maintain our federal tax status as a REIT.

These forward-looking statements are based on our current beliefs and assumptions and information currently available to us, and are subject to known and unknown risks, uncertainties and other factors and were derived utilizing numerous important assumptions that may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors and assumptions involved in the derivation of forward-looking statements, and the failure of such other assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control. These factors and assumptions may have an impact on the continued accuracy of any forward-looking statements that we make.

Factors which may cause actual results to differ materially from our current expectations include, but are not limited to, the risks described in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as such risk factors may be updated from time to time in our public filings, and risks associated with: complying with environmental laws and regulations and the costs associated with complying with such laws and regulations; substantially all of our tenants depending on the same industry for their revenues; the creditworthiness of our tenants; our tenants' compliance with their lease obligations; renewal of existing leases and our ability to either re-lease or sell properties; our dependence on external sources of capital; counterparty risks; the uncertainty of our estimates, judgments, projections and assumptions associated with our accounting policies and methods; our ability to successfully manage our investment strategy; potential future acquisitions and redevelopment opportunities; changes in interest rates and our ability to manage or mitigate this risk effectively; owning and leasing real estate; our business operations generating sufficient cash for distributions or debt service; adverse developments in general business, economic or political conditions; adverse effect of inflation; federal tax reform; property taxes; potential exposure related to pending lawsuits and claims; owning real estate primarily concentrated in the Northeast and Mid-Atlantic regions of the United States; competition in our industry; the adequacy of our insurance coverage and that of our tenants; failure to qualify as a REIT; dilution as a result of future issuances of equity securities; our dividend policy, ability to pay dividends and changes to our dividend policy; changes in market conditions; provisions in our corporate charter and by-laws; Maryland law discouraging a third-party takeover; changes in LIBOR reporting practices or the method in which LIBOR is calculated or changes to alternative rates if LIBOR is discontinued; the loss of a member or members of our management team or Board of Directors; changes in accounting standards; future impairment charges; terrorist attacks and other acts of violence and war; our information systems; failure to maintain effective internal controls over financial reporting; and negative impacts from the continued spread of the novel coronavirus ("COVID-19") pandemic, including on the global economy or on our or our tenants' businesses, financial position or results of operations.

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 Quarterly Report on Form 10-Q and those that are described from time to time in our other filings with the SEC. While we expect to continue to pursue our overall growth strategy and to fund our business operations from our cash flows from our properties, the rapid developments and fluidity of COVID-19 may cause us to moderate, if not suspend, our growth strategy.

You should not place undue reliance on forward-looking statements, which reflect our view only as of the date hereof. Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events, unless required by law. For any forward-looking statements contained in this Quarterly Report on Form 10-Q or in any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

General

Real Estate Investment Trust

We are a REIT specializing in the ownership, leasing and financing of convenience store and gasoline station properties. As of March 31, 2020, we owned 885 properties and leased 62 properties from third-party landlords. As a REIT, we are not subject to federal corporate income tax on the taxable income we distribute to our stockholders. In order to continue to qualify for taxation as a REIT, we are required, among other things, to distribute at least 90% of our ordinary taxable income to our stockholders each year.

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to be spread throughout the U.S. and the world. The impact from the rapidly changing market and economic conditions due to the COVID-19 outbreak is uncertain and will impact our business and consolidated results of operations and could impact our financial condition in the future. While we have not incurred significant disruptions thus far from the COVID-19 outbreak, we are unable to accurately predict the impact that COVID-19 will have due to numerous evolving factors, including the severity of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to our tenants, including the ability of our tenants to make their rental payments and any closures of tenants' facilities, and other factors identified in Part II, Item 1A "Risk Factors" in this Form 10-Q. Additionally, while we expect during the second quarter of 2020 to continue to pursue our overall growth strategy and to fund our business operations from cash flows from our properties and our Revolving Facility consistent with the quarter ended March 31, 2020, the rapid developments and fluidity of COVID-19 may cause us to moderate, if not suspend, our growth strategy and/or to rely more heavily on borrowings under our Revolving Facility, proceeds from the sale of shares of our common stock under our ATM Program, or other sources of liquidity.

As of May 6, 2020, we have taken certain measures to maintain the strength of our business and to manage the impact of COVID-19 on our operations. These measures included prioritizing the health and safety of our employees by adopting guidelines to provide greater use of remote working arrangements prior to Governor Cuomo's March 20, 2020, executive order, after which we fully transitioned all of our employees to a full-time remote working environment and successfully implemented our business continuity plan, with all of our core financial, operational and telecommunication systems, with no disruption.

We will continue to evaluate the nature and extent of the impact of this situation to our business, consolidated results of operations, liquidity and financial condition and whether or to what extent we need to adjust our business, operations or investment, financing, redevelopment or growth strategies.

Our Triple-Net Leases

Substantially all of our properties are leased on a triple-net basis primarily to petroleum distributors, convenience store retailers and, to a lesser extent, automotive service and other retail operators. Generally, our tenants supply fuel and either operate our properties directly or sublet our properties to operators who operate their convenience stores, gasoline stations, automotive service or other retail businesses at our properties. Our triple-net lease tenants are responsible for the payment of all taxes, maintenance, repairs, insurance and other operating expenses relating to our properties, and are also responsible for environmental contamination occurring during the terms of their leases and in certain cases also for environmental contamination that existed before their leases commenced.

Substantially all of our tenants' financial results depend on the sale of refined petroleum products, convenience store sales or rental income from their subtenants. As a result, our tenants' financial results are highly dependent on the performance of the petroleum marketing industry, which is highly competitive and subject to volatility. During the terms of our leases, we monitor the credit quality of our triple-net lease tenants by reviewing their published credit rating, if available, reviewing publicly available financial statements, or reviewing financial or other operating statements which are delivered to us pursuant to applicable lease agreements, monitoring news reports regarding our tenants and their respective businesses, and monitoring the timeliness of lease payments and the performance of other financial covenants under their leases. For additional information regarding our real estate business, our properties and environmental matters, see "Item 1. Business – Company Operations" and "Item 2. Properties" in our Annual Report on Form 10-K for the year ended December 31, 2019, and "Environmental Matters" below.

Our Properties

Net Lease. As of March 31, 2020, we leased 934 of our properties to tenants under triple-net leases.

Our net lease properties include 814 properties leased under 29 separate unitary or master triple-net leases and 120 properties leased under single unit triple-net leases. These leases generally provide for an initial term of 15 or 20 years with options for successive renewal terms of up to 20 years and periodic rent escalations. Several of our leases provide for additional rent based on the aggregate volume of fuel sold. In addition, certain of our leases require the tenants to invest capital in our properties.

Redevelopment. As of March 31, 2020, we were actively redeveloping four of our properties either as a new convenience and gasoline use or for alternative single-tenant net lease retail uses.

Vacancies. As of March 31, 2020, nine of our properties were vacant. We expect that we will either sell or enter into new leases on these properties over time.

Investment Strategy and Activity

As part of our overall growth strategy, we regularly review acquisition and financing opportunities to invest in additional convenience store and gasoline station, and other automotive related properties. While we expect to continue to pursue investments that we believe will benefit our financial performance consistent with our overall growth strategy, we are continuing to monitor the impact of COVID-19 to our business, and the rapid developments and fluidity of this situation may cause us to moderate, if not suspend, our acquisition activities or reevaluate our financing activities. In addition to sale/leaseback and other real estate acquisitions, our investment activities include purchase money financing with respect to properties we sell, and real property loans relating to our leasehold portfolios. Our investment strategy seeks to generate current income and benefit from long-term appreciation in the underlying value of our real estate. To achieve that goal, we seek to invest in high quality individual properties and real estate portfolios that are in strong primary markets that serve high density population centers. A key element of our investment strategy is to invest in properties that will promote geographic and tenant diversity in our property portfolio.

During the three months ended March 31, 2020, we acquired fee simple interests in 12 properties for an aggregate purchase price of $57.3 million. There were no property acquisitions during the three months ended March 31, 2019.

Redevelopment Strategy and Activity

We believe that certain of our properties are located in geographic areas which, together with other factors, may make them well-suited for a new convenience and gasoline use or for alternative single-tenant net lease retail uses, such as quick service restaurants, automotive parts and service stores, specialty retail stores and bank branch locations. We believe that the redeveloped properties can be leased or sold at higher values than their current use.

For the three months ended March 31, 2020, rent commenced on two completed redevelopment projects that were placed back into service in our net lease portfolio. Since the inception of our redevelopment program in 2015, we have completed 15 redevelopment projects. During the three months ended March 31, 2020, we transferred $1.2 million of construction-in-progress to buildings and improvements on our consolidated balance sheets.

As of March 31, 2020, we were actively redeveloping four of our properties either as a new convenience and gasoline use or for alternative single-tenant net lease retail uses. In addition, to the four properties currently classified as redevelopment, we are in various stages of feasibility and planning for the recapture of select properties from our net lease portfolio that are suitable for redevelopment to either a new convenience and gasoline use or for alternative single-tenant net lease retail uses. As of March 31, 2020, we have signed leases on seven properties, that are currently part of our net lease portfolio, which will be recaptured and transferred to redevelopment when the appropriate entitlements, permits and approvals have been secured. While we expect to continue to pursue our redevelopment strategy, we are continuing to monitor the impact of COVID-19 to our business, and the rapid developments and fluidity of this situation may cause us to moderate, if not suspend, our redevelopment activities.

Asset Impairment

We perform an impairment analysis for the carrying amounts of our properties in accordance with GAAP when indicators of impairment exist. We reduced the carrying amounts to fair value, and recorded impairment charges aggregating $1.0 million for the three months ended March 31, 2020 and $0.8 million for the three months ended March 31, 2019, where the carrying amounts of the properties exceed the estimated undiscounted cash flows expected to be received during the assumed holding period which includes the estimated sales value expected to be received at disposition. The impairment charges were attributable to the effect of adding asset retirement costs due to changes in estimates associated with our environmental liabilities, which increased the carrying values of certain properties in excess of their fair values, reductions in estimated undiscounted cash flows expected to be received during the assumed holding period for certain of our properties, and reductions in estimated sales prices from third-party offers based on signed contracts, letters of intent or indicative bids for certain of our properties. The evaluation and estimates of anticipated cash flows used to conduct our impairment analysis are highly subjective and actual results could vary significantly from our estimates.

Supplemental Non-GAAP Measures

We manage our business to enhance the value of our real estate portfolio and, as a REIT, place particular emphasis on minimizing risk, to the extent feasible, and generating cash sufficient to make required distributions to stockholders of at least 90% of our ordinary taxable income each year. In addition to measurements defined by GAAP, we also focus on Funds From Operations (“FFO”) and Adjusted Funds From Operations (“AFFO”) to measure our performance. FFO and AFFO are generally considered by analysts and investors to be appropriate supplemental non-GAAP measures of the performance of REITs. FFO and AFFO are not in accordance with, or a substitute for, measures prepared in accordance with GAAP. In addition, FFO and AFFO are not based on any comprehensive set of accounting rules or principles. Neither FFO nor AFFO represent cash generated from operating activities calculated in accordance with GAAP and therefore these measures should not be considered an alternative for GAAP net earnings or as a measure of liquidity. These measures should only be used to evaluate our performance in conjunction with corresponding GAAP measures.

FFO is defined by the National Association of Real Estate Investment Trusts as GAAP net earnings before depreciation and amortization of real estate assets, gains or losses on dispositions of real estate, impairment charges and cumulative effect of accounting changes. Our definition of AFFO is defined as FFO less (i) Revenue Recognition Adjustments (net of allowances), (ii) changes in environmental estimates, (iii) accretion expense, (iv) environmental litigation accruals, (v) insurance reimbursements, (vi) legal settlements and judgments, (vii) acquisition costs expensed and (viii) other unusual items that are not reflective of our core operating performance. Other REITs may use definitions of FFO and/or AFFO that are different from ours and, accordingly, may not be comparable.

We believe that FFO and AFFO are helpful to analysts and investors in measuring our performance because both FFO and AFFO exclude various items included in GAAP net earnings that do not relate to, or are not indicative of, our core operating performance. FFO excludes various items such as depreciation and amortization of real estate assets, gains or losses on dispositions of real estate, and impairment charges. In our case, however, GAAP net earnings and FFO typically include the impact of revenue recognition adjustments comprised of deferred rental revenue (straight-line rental revenue), the net amortization of above-market and below-market leases, adjustments recorded for recognition of rental income recognized from direct financing leases on revenues from rental properties and the amortization of deferred lease incentives, as offset by the impact of related collection reserves. Deferred rental revenue results primarily from fixed rental increases scheduled under certain leases with our tenants. In accordance with GAAP, the aggregate minimum rent due over the current term of these leases is recognized on a straight-line basis rather than when payment is contractually due. The present value of the difference between the fair market rent and the contractual rent for in-place leases at the time properties are acquired is amortized into revenues from rental properties over the remaining lives of the in-place leases. Income from direct financing leases is recognized over the lease terms using the effective interest method, which produces a constant periodic rate of return on the net investments in the leased properties. The amortization of deferred lease incentives represents our funding commitment in certain leases, which deferred expense is recognized on a straight-line basis as a reduction of rental revenue. GAAP net earnings and FFO include non-cash changes in environmental estimates and environmental accretion expense, which do not impact our recurring cash flow. GAAP net earnings and FFO also include environmental litigation accruals, insurance reimbursements, and legal settlements and judgments, which items are not indicative of our core operating performance. GAAP net earnings and FFO from time to time may also include property acquisition costs expensed and other unusual items that are not reflective of our core operating performance. Acquisition costs are expensed, generally in the period when properties are acquired and are not reflective of our core operating performance.

We pay particular attention to AFFO, as we believe it best represents our core operating performance. In our view, AFFO provides a more accurate depiction than FFO of our core operating performance. By providing AFFO, we believe that we are presenting useful information that assists analysts and investors to better assess our core operating performance. Further, we believe that AFFO is useful in comparing the sustainability of our core operating performance with the sustainability of the core operating performance of other real estate companies.

A reconciliation of net earnings to FFO and AFFO is as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2020	2019
Net earnings	$ 12,700	$ 10,927
Depreciation and amortization of real estate assets	7,097	6,099
(Gain) loss on dispositions of real estate	(869)	51
Impairments	1,031	771
Funds from operations	19,959	17,848
Revenue recognition adjustments	69	(379)
Changes in environmental estimates	(788)	(341)
Accretion expense	466	538
Environmental litigation accruals	—	45
Insurance reimbursements	—	(191)
Legal settlements and judgments	(424)	—
Adjusted funds from operations	$ 19,282	$ 17,520
Basic per share amounts:		
Earnings per share	$ 0.30	$ 0.26
Funds from operations per share	0.47	0.43
Adjusted funds from operations per share	$ 0.46	$ 0.42
Diluted per share amounts:		
Earnings per share	$ 0.30	$ 0.26
Funds from operations per share	0.47	0.43
Adjusted funds from operations per share	$ 0.46	$ 0.42
Weighted average common shares outstanding:		
Basic	41,383	40,873
Diluted	41,391	40,891

Results of Operations

The following discussion describes our results of operations for the three months ended March 31, 2020. While the recent outbreak of COVID-19 did not have a material adverse effect on our reported results for our fiscal first quarter, we are actively monitoring the impact of COVID-19, which may negatively impact our business and results of operations for subsequent quarters. The extent to which our operations will be impacted by the outbreak will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the outbreak and actions by government authorities to contain the outbreak or treat its impact, among other things. See "Part II. Item. 1A. Risk Factors – Our business and results of operations will be, and our financial condition may be, impacted by COVID-19 pandemic and such impact could be materially adverse" for additional information.

As of May 6, 2020, we received April contractual base rent and mortgage payments from approximately 97% of our tenants or mortgagors, as applicable. In addition, we received a number of short-term rent or mortgage payment relief requests, most of them in the form of requests for deferral of payments or requests for further discussion of COVID-19 related relief. We are evaluating each rent or mortgage payment relief request on an individual basis, considering a number of factors. Not all of the requests made to the Company will result in agreements and we are not considering the waiver or modification of any of our contractual rights under our lease agreements or mortgages. April collections and rent or mortgage payment relief requests to date may not be indicative of collections or requests in any future period. Accordingly, the impact of COVID-19 on our rental revenue or interest income for the second quarter of 2020 and thereafter cannot be determined at present.

Three months ended March 31, 2020, compared to the three months ended March 31, 2019

Revenues from rental properties increased by $1.4 million to $34.7 million for the three months ended March 31, 2020, as compared to $33.3 million for the three months ended March 31, 2019. The increase in revenues from rental properties was primarily due to $2.0 million of revenue from newly acquired properties along with contractual rent increases, partially offset by a decrease in revenue recognition adjustments of $0.4 million. Rental income contractually due from our tenants included in revenues from rental properties was $31.4 million for the three months ended March 31, 2020, as compared to $29.2 million for the three months ended March 31, 2019. Tenant reimbursements, which are included in revenues from rental properties, and which consist of real estate taxes and other municipal charges paid by us which are reimbursable by our tenants pursuant to the terms of triple-net lease agreements, were $3.3 million and $3.7 million for the three months ended March 31, 2020 and 2019, respectively. Interest income on notes and mortgages receivable was $0.7 million for the three months ended March 31, 2020, as compared to $0.8 million for the three months ended March 31, 2019.

In accordance with GAAP, we recognize revenues from rental properties in amounts which vary from the amount of rent contractually due during the periods presented. As a result, revenues from rental properties include Revenue Recognition Adjustments comprised of non-cash adjustments recorded for deferred rental revenue due to the recognition of rental income on a straight-line basis over the current lease term, the net amortization of above-market and below-market leases, recognition of rental income under direct financing leases using the effective interest rate method which produces a constant periodic rate of return on the net investments in the leased properties and the amortization of deferred lease incentives. Revenues from rental properties includes Revenue Recognition Adjustments which decreased rental revenue by $69 thousand for the three months ended March 31, 2020 and increased rental revenue by $0.4 million for the three months ended March 31, 2019.

Property costs, which are primarily comprised of rent expense, real estate and other state and local taxes, municipal charges, professional fees, maintenance expense and reimbursable tenant expenses, were $4.9 million for the three months ended March 31, 2020, as compared to $5.5 million for the three months ended March 31, 2019. The decrease in property costs for the three months ended March 31, 2020, was principally due to a decrease in rent expense, reimbursable real estate taxes and professional fees related to property redevelopments.

Impairment charges were $1.0 million for the three months ended March 31, 2020, as compared to $0.8 million for the three months ended March 31, 2019. Impairment charges are recorded when the carrying value of a property is reduced to fair value. Impairment charges for the three months ended March 31, 2020 and 2019, were attributable to the effect of adding asset retirement costs due to changes in estimates associated with our environmental liabilities, which increased the carrying values of certain properties in excess of their fair values, reductions in estimated undiscounted cash flows expected to be received during the assumed holding period for certain of our properties, and reductions in estimated sales prices from third-party offers based on signed contracts, letters of intent or indicative bids for certain of our properties.

Environmental expenses for the three months ended March 31, 2020, decreased by $0.7 million to $0.2 million, as compared to $0.9 million for the three months ended March 31, 2019. The decrease in environmental expenses for the three months ended March 31, 2020, was principally due to a $0.5 million decrease in net environmental remediation costs and estimates, and a $0.1 million decrease in environmental legal and professional fees. Environmental expenses vary from period to period and, accordingly, undue reliance should not be placed on the magnitude or the direction of changes in reported environmental expenses for one period, as compared to prior periods.

General and administrative expense was $4.1 million for the three months ended March 31, 2020, and for the three months ended March 31, 2019.

Depreciation and amortization expense was $7.1 million for the three months ended March 31, 2020, as compared to $6.1 million for the three months ended March 31, 2019. The increase in depreciation and amortization expense for the three months ended March 31, 2020, was primarily due to depreciation and amortization of properties acquired, partially offset by the effect of certain assets becoming fully depreciated and dispositions of real estate.

Other income was $0.5 million for the three months ended March 31, 2020, as compared to $0.2 million for the three months ended March 31, 2019. For the three months ended March 31, 2020, other income was primarily attributable to $0.4 million received from a legal settlement. For the three months ended March 31, 2019, other income was primarily attributable to $0.2 million received from insurance carriers for reimbursement of environmental costs.

Interest expense was $6.7 million for the three months ended March 31, 2020, as compared to $5.9 million for the three months ended March 31, 2019. The increase was due to higher average borrowings outstanding for the three months ended March 31, 2020, as compared to the three months ended March 31, 2019.

For the three months ended March 31, 2020, FFO increased by $2.2 million to $20.0 million, as compared to $17.8 million for the three months ended March 31, 2019. For the three months ended March 31, 2020, AFFO increased by $1.8 million to $19.3 million, as compared to $17.5 million for the three months ended March 31, 2019. FFO for the three months ended March 31, 2020, was impacted by the changes in net earnings but excludes a $0.2 million increase in impairment charges, a $0.9 million increase in gain on dispositions of real estate and a $1.0 million increase in depreciation and amortization expense. The increase in AFFO for the three months ended March 31, 2020, also excludes a $0.5 million decrease in environmental estimates and accretion expense, a $0.2 million decrease in insurance reimbursements, a $0.4 million increase in legal settlements and judgements, and a $0.4 million decrease in Revenue Recognition Adjustments.

Liquidity and Capital Resources

Our principal sources of liquidity are the cash flows from our operations, funds available under our Revolving Facility (which is scheduled to mature in March 2022), proceeds from the sale of shares of our common stock through offerings from time to time under our ATM Program, and available cash and cash equivalents. Our business operations and liquidity are dependent on our ability to generate cash flow from our properties. We believe that our operating cash needs for the next twelve months can be met by cash flows from operations, borrowings under our Revolving Facility, proceeds from the sale of shares of our common stock under our ATM Program and available cash and cash equivalents.

As noted above, while we expect during the second quarter of 2020 to continue to fund our business operations from our cash flows from our properties, and funds available under our Revolving Facility, consistent with the quarter ended March 31, 2020, the rapid developments and fluidity of COVID-19 may cause us to rely more heavily on borrowings under our Revolving Facility or other sources of liquidity.

Our cash flow activities for the three months ended March 31, 2020 and 2019, are summarized as follows (in thousands):

	Three Months Ended March 31,	
	2020	2019
Net cash flow provided by operating activities	$ 17,874	$ 15,482
Net cash flow (used in) provided by investing activities	(53,082)	1,499
Net cash flow provided by (used in) financing activities	$ 49,476	$ (44,639)

Operating Activities

Net cash flow from operating activities increased by $2.4 million for the three months ended March 31, 2020, to $17.9 million, as compared to $15.5 million for the three months ended March 31, 2019. Net cash provided by operating activities represents cash received primarily from rental and interest income less cash used for property costs, environmental expense, general and administrative expense and interest expense. The change in net cash flow provided by operating activities for the three months ended March 31, 2020 and 2019, is primarily the result of changes in revenues and expenses as discussed in “Results of Operations” above and the other changes in assets and liabilities on our consolidated statements of cash flows.

Investing Activities

Our investing activities are primarily real estate-related transactions. Because we generally lease our properties on a triple-net basis, we have not historically incurred significant capital expenditures other than those related to investments in real estate and our redevelopment activities. Net cash flow used in investing activities increased by $54.6 million for the three months ended March 31, 2020, to a use of $53.1 million, as compared to a source of $1.5 million for the three months ended March 31, 2019. The increase in net cash flow used in investing activities for the three months ended March 31, 2020, was primarily due to an increase of $57.3 million for property acquisitions and a decrease of $0.2 million in construction in progress additions, partially offset by an increase of $0.8 million in proceeds from dispositions of real estate, an increase of $0.8 million in collection of notes and mortgages receivables, a $0.6 million increase in deposits on property acquisitions, and a $0.4 million decrease in issuance of notes and mortgages receivable.

Financing Activities

Net cash flow provided by financing activities increased by $94.1 million for the three months ended March 31, 2020, to $49.5 million, as compared to funds used of $44.6 million for the three months ended March 31, 2019. The increase in net cash flow provided by financing activities was primarily due to an increase borrowings under credit agreement of $60.0 million and a $35.0 million decrease in repayments under credit agreement, partially offset by an increase in dividends paid of $1.1 million.

Credit Agreement

On June 2, 2015, we entered into a $225.0 million senior unsecured credit agreement (the “Credit Agreement”) with a group of banks led by Bank of America, N.A. The Credit Agreement consisted of a $175.0 million unsecured revolving credit facility (the “Revolving Facility”) and a $50.0 million unsecured term loan (the “Term Loan”).

On March 23, 2018, we entered in to an amended and restated credit agreement (as amended, the “Restated Credit Agreement”) amending and restating our Credit Agreement. Pursuant to the Restated Credit Agreement, we (a) increased the borrowing capacity under the Revolving Facility from $175.0 million to $250.0 million, (b) extended the maturity date of the Revolving Facility from June 2018 to March 2022, (c) extended the maturity date of the Term Loan from June 2020 to March 2023 and (d) amended certain financial covenants and provisions.

On September 19, 2018, we entered into an amendment (the “First Amendment”) of our Restated Credit Agreement. The First Amendment modifies the Restated Credit Agreement to, among other things: (i) reflect that we had previously entered into (a) an amended and restated note purchase and guarantee agreement with The Prudential Insurance Company of America ("Prudential") and certain of its affiliates and (b) a note purchase and guarantee agreement with the Metropolitan Life Insurance Company ("MetLife") and certain of its affiliates; and (ii) permit borrowings under each of the Revolving Facility and the Term Loan at three different interest rates, including a rate based on the LIBOR Daily Floating Rate (as defined in the First Amendment) plus the Applicable Rate (as defined in the First Amendment) for such facility.

On September 12, 2019, in connection with prepayment of the Term Loan, we entered into a consent and amendment (the "Second Amendment") of our Restated Credit Agreement. The Second Amendment modifies the Restated Credit Agreement to, among other things, (a) increase our borrowing capacity under the Revolving Facility from $250.0 million to $300.0 million and (b) decrease lender commitments under the Term Loan to $0.0 million.

Subject to the terms of the Restated Credit Agreement and our continued compliance with its provisions, we have the option to (a) extend the term of the Revolving Facility for one additional year to March 2023 and (b) request that the lenders approve an increase of up to $300.0 million in the amount of the Revolving Facility to $600.0 million in the aggregate.

The Restated Credit Agreement incurs interest and fees at various rates based on our total indebtedness to total asset value ratio at the end of each quarterly reporting period. The Revolving Facility permits borrowings at an interest rate equal to the sum of a base rate plus a margin of 0.50% to 1.30% or a LIBOR rate plus a margin of 1.50% to 2.30%. The annual commitment fee on the undrawn funds under the Revolving Facility is 0.15% to 0.25%.

Senior Unsecured Notes

On September 12, 2019, we entered into a fourth amended and restated note purchase and guarantee agreement (the "Fourth Restated Prudential Note Purchase Agreement") amending and restating our existing senior note purchase agreement with Prudential and certain of its affiliates. Pursuant to the Fourth Restated Prudential Note Purchase Agreement, we agreed that our (a) 6.0% Series A Guaranteed Senior Notes due February 25, 2021, in the original aggregate principal amount of $100.0 million (the "Series A Notes"), (b) 5.35% Series B Guaranteed Senior Notes due June 2, 2023, in the original aggregate principal amount of $75.0 million (the "Series B Notes"), (c) 4.75% Series C Guaranteed Senior Notes due February 25, 2025, in the aggregate principal amount of $50.0 million (the "Series C Notes") and (d) 5.47% Series D Guaranteed Senior Notes due June 21, 2028, in the aggregate principal amount of $50.0 million (the "Series D Notes") that were outstanding under the existing senior note purchase agreement would continue to remain outstanding under the Fourth Restated Prudential Note Purchase Agreement and we authorized and issued our 3.52% Series F Guaranteed Senior Notes due September 12, 2029, in the aggregate principal amount of $50.0 million (the "Series F Notes" and, together with the Series A Notes, Series B Notes, Series C Notes and Series D Notes, the "Notes"). The Fourth Restated Prudential Note Purchase Agreement does not provide for scheduled reductions in the principal balance of the Notes prior to their respective maturities.

On June 21, 2018, we entered into a note purchase and guarantee agreement (the "MetLife Note Purchase Agreement") with MetLife and certain of its affiliates. Pursuant to the MetLife Note Purchase Agreement, we authorized and issued our 5.47% Series E Guaranteed Senior Notes due June 21, 2028, in the aggregate principal amount of $50.0 million (the "Series E Notes"). The MetLife Note Purchase Agreement does not provide for scheduled reductions in the principal balance of the Series E Notes prior to their maturity.

On September 12, 2019, we entered into a note purchase and guarantee agreement (the "AIG Note Purchase Agreement") with American General Life Insurance Company. Pursuant to the AIG Note Purchase Agreement, we authorized and issued our 3.52% Series G Guaranteed Senior Notes due September 12, 2029, in the aggregate principal amount of $50.0 million (the "Series G Notes"). The AIG Note Purchase Agreement does not provide for scheduled reductions in the principal balance of the Series G Notes prior to their maturity.

On September 12, 2019, we entered into a note purchase and guarantee agreement (the "MassMutual Note Purchase Agreement") with Massachusetts Mutual Life Insurance Company and certain of its affiliates. Pursuant to the MassMutual Note Purchase Agreement, we authorized and issued our 3.52% Series H Guaranteed Senior Notes due September 12, 2029, in the aggregate principal amount of $25.0 million (the "Series H Notes"). The MassMutual Note Purchase Agreement does not provide for scheduled reductions in the principal balance of the Series H Notes prior to their maturity.

ATM Program

In March 2018, we established an at-the-market equity offering program (the "ATM Program"), pursuant to which we are able to issue and sell shares of our common stock with an aggregate sales price of up to $125.0 million through a consortium of banks acting as agents. Sales of the shares of common stock may be made, as needed, from time to time in at-the-market offerings as defined in Rule 415 of the Securities Act, including by means of ordinary brokers' transactions on the New York Stock Exchange or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or as otherwise agreed to with the applicable agent.

During the three months ended March 31, 2020 and 2019, no shares of common stock were issued under the ATM Program. Future sales, if any, will depend on a variety of factors to be determined by us from time to time, including among others, market conditions, the trading price of our common stock, determinations by us of the appropriate sources of funding for us and potential uses of funding available to us.

Property Acquisitions and Capital Expenditures

As part of our overall business strategy, we regularly review opportunities to acquire additional properties and we expect to continue to pursue acquisitions that we believe will benefit our financial performance.

During the three months ended March 31, 2020, we acquired fee simple interests in 12 properties for an aggregate purchase price of $57.3 million. There were no property acquisitions during the three months ended March 31, 2019. We accounted for the acquisitions of fee simple interests as asset acquisitions. For additional information regarding our property acquisitions, see Note 11.

We are reviewing select opportunities for capital expenditures, redevelopment and alternative uses for certain of our properties. We are also seeking to recapture select properties from our net lease portfolio to redevelop such properties either for a new convenience and gasoline use or for alternative single-tenant net lease retail uses. For the three months ended March 31, 2020, rent commenced on two completed redevelopment projects that were placed back into service in our net lease portfolio. Since the inception of our redevelopment program in 2015, we have completed 15 redevelopment projects.

Because we generally lease our properties on a triple-net basis, we have not historically incurred significant capital expenditures other than those related to acquisitions. However, our tenants frequently make improvements to the properties leased from us at their expense. As of March 31, 2020, we have a remaining commitment to fund up to $7.0 million in the aggregate in capital improvements in certain properties previously leased to Marketing and now subject to unitary triple-net leases with other tenants.

Dividends

We elected to be treated as a REIT under the federal income tax laws with the year beginning January 1, 2001. To qualify for taxation as a REIT, we must, among other requirements such as those related to the composition of our assets and gross income, 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.

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 Internal Revenue Service. Payment of dividends is subject to market conditions, our financial condition, including but not limited to, our continued compliance with the provisions of the Restated Credit Agreement, our senior unsecured notes and other factors, and therefore is not assured. In particular, the Restated Credit Agreement and our senior unsecured notes prohibit the payment of dividends during certain events of default.

Regular quarterly dividends paid to our stockholders for the three months ended March 31, 2020, were $15.2 million, or $0.37 per share. There can be no assurance that we will continue to pay dividends at historical rates, if at all.

Critical Accounting Policies and Estimates

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

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

Our accounting policies are described in Note 1 in “Item 8. Financial Statements and Supplementary Data” in our Annual Report on Form 10-K for the year ended December 31, 2019. The SEC’s Financial Reporting Release (“FRR”) No. 60, *Cautionary Advice Regarding Disclosure About Critical Accounting Policies* (“FRR 60”), suggests that companies provide additional disclosure on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to our financial condition and results of operations and requires significant judgment and estimates on the part of management in its application. We believe that our most critical accounting policies relate to revenue recognition and deferred rent receivable, direct financing leases, impairment of long-lived assets, environmental remediation obligations, litigation, income taxes, and the allocation of the purchase price of properties acquired to the assets acquired and liabilities assumed (collectively, our “Critical Accounting Policies”), each of which is discussed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2019.

Environmental Matters

General

We are subject to numerous federal, state and local laws and regulations, including matters relating to the protection of the environment such as the remediation of known contamination and the retirement and decommissioning or removal of long-lived assets including buildings containing hazardous materials, USTs and other equipment. Environmental costs are principally attributable to remediation costs which are incurred for, among other things, removing USTs, excavation of contaminated soil and water, installing, operating, maintaining and decommissioning remediation systems, monitoring contamination and governmental agency compliance reporting required in connection with contaminated properties.

We enter into leases and various other agreements which contractually allocate responsibility between the parties for known and unknown environmental liabilities at or relating to the subject properties. We are contingently liable for these environmental obligations in the event that our tenant does not satisfy them, and we are required to accrue for environmental liabilities that we believe are allocable to others under our leases if we determine that it is probable that our tenant will not meet its environmental obligations. It is possible that our assumptions regarding the ultimate allocation method and share of responsibility that we used to allocate environmental liabilities may change, which may result in material adjustments to the amounts recorded for environmental litigation accruals and environmental remediation liabilities. We assess whether to accrue for environmental liabilities based upon relevant factors including our tenants’ histories of paying for such obligations, our assessment of their financial capability, and their intent to pay for such obligations. 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 may ultimately be responsible to pay for environmental liabilities as the property owner if our tenant fails to pay them.

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

For substantially all of our triple-net leases, our tenants are contractually responsible for compliance with environmental laws and regulations, removal of USTs at the end of their lease term (the cost of which in certain cases is partially borne by us) and remediation of any environmental contamination that arises during the term of their tenancy. Under the terms of our leases covering properties previously leased to Marketing (substantially all of which commenced in 2012), we have agreed to be responsible for environmental contamination at the premises that was known at the time the lease commenced, and for environmental contamination which existed prior to commencement of the lease and is discovered (other than as a result of a voluntary site investigation) during the first 10 years of the lease term (or a shorter period for a minority of such leases). After expiration of such 10-year (or, in certain cases, shorter) period, responsibility for all newly discovered contamination, even if it relates to periods prior to commencement of the lease, is contractually allocated to our tenant. Our tenants at properties previously leased to Marketing are in all cases responsible for the cost of any remediation of contamination that results from their use and occupancy of our properties. Under substantially all of our other triple-net leases, responsibility for remediation of all environmental contamination discovered during the term of the lease (including known and unknown contamination that existed prior to commencement of the lease) is the responsibility of our tenant.

We anticipate that a majority of the USTs at properties previously leased to Marketing will be replaced over the next several years because these USTs are either at or near the end of their useful lives. For long-term, triple-net leases covering sites previously leased to Marketing, our tenants are responsible for the cost of removal and replacement of USTs and for remediation of contamination found during such UST removal and replacement, unless such contamination was found during the first 10 years of the lease term and also existed prior to commencement of the lease. In those cases, we are responsible for costs associated with the remediation of such preexisting contamination. We have also agreed to be responsible for environmental contamination that existed prior to the sale of certain properties assuming the contamination is discovered (other than as a result of a voluntary site investigation) during the first five years after the sale of the properties.

In the course of certain UST removals and replacements at properties previously leased to Marketing where we retained continuing responsibility for preexisting environmental obligations, previously unknown environmental contamination was and continues to be discovered. As a result, we have developed an estimate of fair value for the prospective future environmental liability resulting from preexisting unknown environmental contamination and have accrued for these estimated costs. These estimates are based primarily upon quantifiable trends which we believe allow us to make reasonable estimates of fair value for the future costs of environmental remediation resulting from the removal and replacement of USTs. Our accrual of the additional liability represents our estimate of the fair value of cost for each component of the liability, net of estimated recoveries from state UST remediation funds considering estimated recovery rates developed from prior experience with the funds. In arriving at our accrual, we analyzed the ages of USTs at properties where we would be responsible for preexisting contamination found within 10 years after commencement of a lease (for properties subject to long-term triple-net leases) or five years from a sale (for divested properties), and projected a cost to closure for preexisting unknown environmental contamination.

We measure our environmental remediation liabilities at fair value based on expected future net cash flows, adjusted for inflation (using a range of 2.0% to 2.75%), and then discount them to present value (using a range of 4.0% to 7.0%). We adjust our environmental remediation liabilities quarterly to reflect changes in projected expenditures, changes in present value due to the passage of time and reductions in estimated liabilities as a result of actual expenditures incurred during each quarter. As of March 31, 2020, we had accrued a total of $50.4 million for our prospective environmental remediation obligations. This accrual consisted of (a) $12.4 million, which was our estimate of reasonably estimable environmental remediation liability, including obligations to remove USTs for which we are responsible, net of estimated recoveries and (b) $38.0 million for future environmental liabilities related to preexisting unknown contamination. As of December 31, 2019, we had accrued a total of $50.7 million for our prospective environmental remediation obligations. This accrual consisted of (a) $12.4 million, which was our estimate of reasonably estimable environmental remediation liability, including obligations to remove USTs for which we are responsible, net of estimated recoveries and (b) $38.3 million for future environmental liabilities related to preexisting unknown contamination.

Environmental liabilities are accreted for the change in present value due to the passage of time and, accordingly, $0.5 million of net accretion expense was recorded for the three months ended March 31, 2020 and 2019, which is included in environmental expenses. In addition, during the three months ended March 31, 2020 and 2019, we recorded credits to environmental expenses aggregating $0.8 million and $0.3 million, respectively, where decreases in estimated remediation costs exceeded the depreciated carrying value of previously capitalized asset retirement costs. Environmental expenses also include project management fees, legal fees and environmental litigation accruals.

During the three months ended March 31, 2020 and 2019, we increased the carrying values of certain of our properties by $0.8 million due to changes in estimated environmental remediation costs. The recognition and subsequent changes in estimates in environmental liabilities and the increase or decrease in carrying values of the properties are non-cash transactions which do not appear on our consolidated statements of cash flows.

Capitalized asset retirement costs are being depreciated over the estimated remaining life of the UST, a 10-year period if the increase in carrying value is related to environmental remediation obligations or such shorter period if circumstances warrant, such as the remaining lease term for properties we lease from others. Depreciation and amortization expense related to capitalized asset retirement costs in our consolidated statements of operations for the three months ended March 31, 2020 and 2019, was $1.0 million. Capitalized asset retirement costs were $39.3 million (consisting of $22.3 million of known environmental liabilities and $17.0 million of reserves for future environmental liabilities) as of March 31, 2020, and $39.7 million (consisting of $22.2 million of known environmental liabilities and $17.5 million of reserves for future environmental liabilities) as of December 31, 2019. We recorded impairment charges aggregating $0.9 million and $0.7 million for the three months ended March 31, 2020 and 2019, respectively, for capitalized asset retirement costs.

Environmental exposures are difficult to assess and estimate for numerous reasons, including the amount of data available upon initial assessment 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, changes in costs associated with environmental remediation services and equipment, the availability of state UST remediation funds and the possibility of existing legal claims giving rise to allocation of responsibilities to others, as well as the time it takes to remediate contamination and receive regulatory approval. In developing our liability for estimated environmental remediation obligations on a property by property basis, we consider, among other things, 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 derived upon facts known to us at this time, which are subject to significant change as circumstances change, and as environmental contingencies become more clearly defined and reasonably estimable.

Any changes to our estimates or our assumptions that form the basis of our estimates may result in our providing an accrual, or adjustments to the amounts recorded, for environmental remediation liabilities.

In July 2012, we purchased a 10-year pollution legal liability insurance policy covering substantially all of our properties at that time for preexisting unknown environmental liabilities and new environmental events. The policy has a $50.0 million aggregate limit and is subject to various self-insured retentions and other conditions and limitations. Our intention in purchasing this policy was to obtain protection predominantly for significant events. In addition to the environmental insurance policy purchased by the Company, we also took assignment of certain environmental insurance policies, and rights to reimbursement for claims made thereunder, from Marketing, by order of the U.S. Bankruptcy Court during Marketing's bankruptcy proceedings. Under these assigned polices, we have received and expect to continue to receive reimbursement of certain remediation expenses for covered claims.

In light of the uncertainties associated with environmental expenditure contingencies, we are unable to estimate ranges in excess of the amount accrued with any certainty; however, we believe that it is possible that the fair value of future actual net expenditures could be substantially higher than amounts currently recorded by us. Adjustments to accrued liabilities for environmental remediation obligations will be reflected in our consolidated financial statements as they become probable and a reasonable estimate of fair value can be made.

Environmental Litigation

We are subject to various legal proceedings and claims which arise in the ordinary course of our business. As of March 31, 2020 and December 31, 2019, we had accrued $17.8 million for certain of these matters which we believe were appropriate based on information then currently available. It is possible that our assumptions regarding the ultimate allocation method and share of responsibility that we used to allocate environmental liabilities may change, which may result in our providing an accrual, or adjustments to the amounts recorded, for environmental litigation accruals. Matters related to our former Newark, New Jersey Terminal and the Lower Passaic River, our MTBE litigations in the states of New Jersey, Pennsylvania and Maryland, and our lawsuit with the State of New York pertaining to a property formerly owned by us in Uniondale, New York, in particular, 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 these and other pending environmental lawsuits and claims, see "Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2019, and "Part II, Item 1. Legal Proceedings" and Note 4 in "Part I, Item 1. Financial Statements" in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk, primarily as a result of our $300.0 million senior unsecured credit agreement entered into on March 23, 2018, and amended on September 19, 2018 and September 12, 2019 (as amended, the "Restated Credit Agreement"), with a group of commercial banks led by Bank of America, N.A. The Restated Credit Agreement currently consists of a $300.0 million unsecured revolving facility (the "Revolving Facility"), which is scheduled to mature in March 2022. Subject to the terms of the Restated Credit Agreement and our continued compliance with its provisions, we have the option to (a) extend the term of the Revolving Facility for one additional year to March 2023 and (b) request that the lenders approve an increase of up to $300.0 million in the amount of the Revolving Facility to $600.0 million in the aggregate. The Restated Credit Agreement incurs interest and fees at various rates based on our total indebtedness to total asset value ratio at the end of each quarterly reporting period. The Revolving Facility permits borrowings at an interest rate equal to the sum of a base rate plus a margin of 0.50% to 1.30% or a LIBOR rate plus a margin of 1.50% to 2.30%. The annual commitment fee on the undrawn funds under the Revolving Facility is 0.15% to 0.25%. We use borrowings under the Restated Credit Agreement to finance acquisitions and for general corporate purposes. Borrowings outstanding at variable interest rates under the Restated Credit Agreement as of March 31, 2020, were $85.0 million.

Based on our outstanding borrowings under the Restated Credit Agreement of $85.0 million as of March 31, 2020, an increase in market interest rates of 1.0% for 2020 would decrease our 2020 net income and cash flows by $0.6 million. This amount was determined by calculating the effect of a hypothetical interest rate change on our borrowings floating at market rates, and assumes that the $85.0 million outstanding borrowings under the Restated Credit Agreement is indicative of our future average floating interest rate borrowings for 2020 before considering additional borrowings required for future acquisitions or repayment of outstanding borrowings from proceeds of future equity offerings. The calculation also assumes that there are no other changes in our financial structure or the terms of our borrowings. Our exposure to fluctuations in interest rates will increase or decrease in the future with increases or decreases in the outstanding amount under our Restated Credit Agreement and with increases.

In order to minimize our exposure to credit risk associated with financial instruments, we place our temporary cash investments, if any, with high credit quality institutions. Temporary cash investments, if any, are currently held in an overnight bank time deposit with JPMorgan Chase Bank, N.A. and these balances, at times, may exceed federally insurable limits.

As discussed elsewhere in this report, the recent outbreak of COVID-19 may negatively impact our business and results of operations. As we cannot predict the duration or scope of COVID-19, the negative financial impact to our results cannot be reasonably estimated but could be material. See "Part II. Item. 1A. Risk Factors – Our business and results of operations will be, and our financial condition may be, impacted by COVID-19 pandemic and such impact could be materially adverse" for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

As required by Rules 13a-15(b) and 13d-15(b) of the Exchange Act, we have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of March 31, 2020, at the reasonable assurance level.

Internal Control Over Financial Reporting

During the first quarter of 2020, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please refer to "Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2019, and to Note 4 in "Part I, Item 1. Financial Statements" in this Quarterly Report on Form 10-Q, for information regarding material pending legal proceedings. There have been no new material legal proceedings and no material developments in any of our previously disclosed legal proceedings reported in our Annual Report on Form 10-K for the year ended December 31, 2019.

ITEM 1A. RISK FACTORS

With the exception of the following, there have been no material changes to the information previously disclosed in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019.

Our business and results of operations will be, and our financial condition may be, impacted by the COVID-19 pandemic and such impact could be materially adverse.

The global spread of COVID-19 has created significant volatility, uncertainty, and economic disruption. The extent to which the *COVID-19* pandemic impacts our business, operations and financial results is uncertain, and will depend on numerous evolving factors that we may not be able to accurately predict, including the duration and scope of the pandemic; governmental, business and individual actions taken in response to the pandemic and the impact of those actions on global economic activity; the actions taken in response to economic disruption; the reduced economic activity, if not closures of our tenants' facilities, may impact our tenants' businesses, financial condition and liquidity, and may cause one or more of our tenants to be unable to meet their obligations to us in full, or at all, or to otherwise seek modifications of such obligations; general decline in business activity and demand for real estate transactions could adversely affect our ability or desire to grow our portfolio of properties; the financial impact of the COVID-19 pandemic could negatively impact our future compliance with financial covenants of our Restated Credit Agreement and our senior unsecured notes and result in a default and potentially an acceleration of indebtedness, which non-compliance could negatively impact our ability to make additional borrowings under our Revolving Facility and pay dividends; and a deterioration in our or our tenants' ability to operate in affected areas or delays in the supply of products or services to us or our tenants from vendors that are needed for our or our tenants' efficient operations could adversely affect our operations and those of our tenants.

As a result of reduced economic activity in connection with the COVID-19 pandemic, certain of our tenants may be unable to make timely rental payments in whole or in part under their leases or may seek waivers or deferrals of rental payments. Accordingly, the worsening of estimated future cash flows could result in our recognition of increased impairment charges on certain of our properties for the second quarter of 2020 and thereafter. Moreover, in the event of any of our tenants default under or seek early termination for their leases, we might not be able to fully recover and/or experience delays and additional costs in enforcing our rights under the terms of our leases due to potential COVID-19-related moratoriums imposed by various jurisdictions on landlord initiated commercial eviction and collection actions. Further, one or more of our tenants may seek the protection of the bankruptcy laws as a result of the prolonged impact of the COVID-19 pandemic, which could result in the termination of its lease. Tenant bankruptcies may make it more difficult for us to release or redevelop the property or properties in which the bankrupt tenant operates, which could materially and adversely affect our business, financial condition or results of operations.

The rapid development and fluidity of this situation precludes any prediction as to the full adverse impact of the COVID-19 pandemic. Nevertheless, the COVID-19 pandemic presents material uncertainty and risk with respect to our performance, financial condition, results of operations, cash flows and performance. Moreover, many risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2019, should be interpreted as heightened risks as a result of the impact of the COVID-19 pandemic.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document	Location of Document
31.1	Certification of Christopher J. Constant, President and Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.	Filed herewith.
31.2	Certification of Danion Fielding, Vice President, Chief Financial Officer and Treasurer, pursuant to Rule 13a-14 (a) under the Securities Exchange Act of 1934, as amended.	Filed herewith.
32.1	Certification of Christopher J. Constant, President and Chief Executive Officer, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.	Filed herewith.
32.2	Certification of Danion Fielding, Vice President, Chief Financial Officer and Treasurer, pursuant to Rule 13a-14 (b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.	Filed herewith.
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	NA.
101.SCH	XBRL Taxonomy Extension Schema.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.	Filed herewith.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 6, 2020

Getty Realty Corp.

By: /s/ CHRISTOPHER J. CONSTANT

Christopher J. Constant
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ DANION FIELDING

Danion Fielding
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

By: /s/ EUGENE SHNAYDERMAN

Eugene Shnayderman
Chief Accounting Officer and Controller
(Principal Accounting Officer)

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Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher J. Constant, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Getty Realty Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 6, 2020

By: /s/ CHRISTOPHER J. CONSTANT
Christopher J. Constant
President and Chief Executive Officer

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Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Danion Fielding, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Getty Realty Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 6, 2020

By: /s/ DANION FIELDING

Danion Fielding
Vice President, Chief Financial Officer and Treasurer

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Section 4: EX-32.1 (EX-32.1)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. § 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Getty Realty Corp. (the "Company") hereby certifies, to such officer's knowledge, that:

i. the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2020, (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

ii. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2020

By: /s/ CHRISTOPHER J. CONSTANT
Christopher J. Constant
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Getty Realty Corp. and will be retained by Getty Realty Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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Section 5: EX-32.2 (EX-32.2)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. § 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Getty Realty Corp. (the "Company") hereby certifies, to such officer's knowledge, that:

i. the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2020, (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

ii. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2020

By: /s/ DANION FIELDING
Danion Fielding
Vice President, Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to Getty Realty Corp. and will be retained by Getty Realty Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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