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

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended June 30, 2011

Commission File No. 001-13499

EQUITY ONE, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

52-1794271
(I.R.S. Employer
Identification No.)

1600 N.E. Miami Gardens Drive
N. Miami Beach, Florida
(Address of principal executive offices)

33179
(Zip Code)

(305) 947-1664

(Registrant's telephone number, including area code)

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Applicable only to Corporate Issuers:

As of August 2, 2011, the number of outstanding shares of Common Stock, par value \$0.01 per share, of the Registrant was 114,654,390.

EQUITY ONE, INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED JUNE 30, 2011
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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (this "Amendment No. 1") amends the Quarterly Report on Form 10-Q of Equity One, Inc. (the "Company") for the quarterly period ended June 30, 2011 as originally filed with the Securities and Exchange Commission (the "SEC") on August 9, 2011 (the "Original Filing"). This Amendment No. 1 amends the Original Filing to correct an error in the Company's Condensed Consolidated Financial Statements contained therein relating to the misinterpretation of applicable fair value accounting guidance in connection with an acquisition, as more fully described in Note 1 to the Condensed Consolidated Financial Statements contained in this Amendment No. 1. Additionally, the purchase accounting measurement period adjustments discussed in Note 3 to the Condensed Consolidated Financial Statements have been retroactively applied. For ease of reference, this Amendment No. 1 amends and restates the Original Filing in its entirety. Revisions to the Original Filing have been made to the following sections:

- Item 1 – Financial Statements
- Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 4 – Controls and Procedures

In addition, the Company's principal executive officer and principal financial officer have provided new certifications, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, in connection with this Amendment No. 1 (Exhibits 31.1, 31.2, and 32.1).

Except as described above, no other amendments have been made to the Original Filing. This Amendment No. 1 continues to speak as of the date of the Original Filing, and the Company has not updated the disclosure contained herein to reflect events that have occurred since the date of the Original Filing. Accordingly, this Amendment No. 1 should be read in conjunction with the Company's other filings made with the SEC subsequent to the filing of the Original Filing, including any amendments to those filings.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

EQUITY ONE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
June 30, 2011 (unaudited)
and December 31, 2010
(In thousands, except share par value amounts)
(Restated)

	<u>June 30,</u> <u>2011</u> (Restated)	<u>December 31,</u> <u>2010</u>
ASSETS		
Properties:		
Income producing	\$3,168,974	\$2,643,871
Less: accumulated depreciation	(318,385)	(288,613)
Income producing properties, net	2,850,589	2,355,258
Construction in progress and land held for development	76,509	74,870
Properties held for sale	37,217	—
Properties, net	2,964,315	2,430,128
Cash and cash equivalents	17,176	38,333
Accounts and other receivables, net	12,564	15,181
Investments in and advances to unconsolidated joint ventures	120,501	59,736
Goodwill	10,645	10,790
Other assets	184,984	127,696
TOTAL ASSETS	<u>\$3,310,185</u>	<u>\$2,681,864</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Notes payable:		
Mortgage notes payable	\$ 658,273	\$ 533,660
Unsecured senior notes payable	691,136	691,136
Unsecured revolving credit facilities	63,500	—
	1,412,909	1,224,796
Unamortized discount on notes payable, net	(16,592)	(21,923)
Total notes payable	1,396,317	1,202,873
Other liabilities:		
Accounts payable and accrued expenses	42,222	32,885
Tenant security deposits	9,791	8,907
Deferred tax liabilities, net	45,354	46,523
Other liabilities	130,774	96,971
Total liabilities	1,624,458	1,388,159
Redeemable noncontrolling interests	3,851	3,864
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value—10,000 shares authorized but unissued	—	—
Common stock, \$0.01 par value—150,000 shares authorized, 112,532 and 102,327 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	1,125	1,023
Additional paid-in capital	1,584,418	1,391,762
Distributions in excess of earnings	(112,073)	(105,309)
Accumulated other comprehensive loss	(1,443)	(1,569)
Total stockholders' equity of Equity One, Inc.	1,472,027	1,285,907
Noncontrolling interests	209,849	3,934
Total stockholders' equity	1,681,876	1,289,841
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$3,310,185</u>	<u>\$2,681,864</u>

See accompanying notes to condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
For the three and six months ended June 30, 2011 and 2010
(Unaudited)
(In thousands, except per share data)
(Restated)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	(Restated)		(Restated)	
REVENUE:				
Minimum rent	\$ 67,396	\$ 54,732	\$ 132,794	\$ 108,428
Expense recoveries	19,586	15,761	37,967	30,600
Percentage rent	660	313	2,126	1,358
Management and leasing services	641	399	1,107	772
Total revenue	<u>88,283</u>	<u>71,205</u>	<u>173,994</u>	<u>141,158</u>
COSTS AND EXPENSES:				
Property operating	24,697	20,152	49,181	39,912
Rental property depreciation and amortization	24,836	16,755	47,890	33,043
General and administrative	13,335	11,741	25,312	21,828
Total costs and expenses	<u>62,868</u>	<u>48,648</u>	<u>122,383</u>	<u>94,783</u>
INCOME BEFORE OTHER INCOME AND EXPENSE, TAX AND DISCONTINUED OPERATIONS				
	25,415	22,557	51,611	46,375
OTHER INCOME AND EXPENSE:				
Investment income	969	489	1,662	648
Equity in income (loss) in unconsolidated joint ventures	177	(42)	811	(82)
Other income	41	103	170	156
Interest expense	(21,246)	(19,335)	(42,532)	(39,243)
Amortization of deferred financing fees	(562)	(454)	(1,105)	(900)
Gain on bargain purchase	—	—	30,561	—
Gain on sale of real estate	4,606	440	4,606	440
Gain on extinguishment of debt	213	63	255	63
Other expense	(145)	—	(145)	—
INCOME FROM CONTINUING OPERATIONS BEFORE TAX AND DISCONTINUED OPERATIONS				
	9,468	3,821	45,894	7,457
Income tax benefit of taxable REIT subsidiaries	553	926	1,118	1,994
INCOME FROM CONTINUING OPERATIONS	<u>10,021</u>	<u>4,747</u>	<u>47,012</u>	<u>9,451</u>
DISCONTINUED OPERATIONS:				
Operations of income producing properties sold or held for sale	390	24	774	115
(Loss) gain on disposal of income producing properties	(13)	1,458	(13)	1,458
Impairment loss on income producing properties held for sale	(1,277)	—	(1,277)	—
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	<u>(900)</u>	<u>1,482</u>	<u>(516)</u>	<u>1,573</u>
NET INCOME	<u>9,121</u>	<u>6,229</u>	<u>46,496</u>	<u>11,024</u>
Net (income) loss attributable to noncontrolling interests	(2,135)	10	(4,517)	647
NET INCOME ATTRIBUTABLE TO EQUITY ONE, INC.	<u>\$ 6,986</u>	<u>\$ 6,239</u>	<u>\$ 41,979</u>	<u>\$ 11,671</u>
EARNINGS PER COMMON SHARE—BASIC:				
Continuing operations	\$ 0.07	\$ 0.05	\$ 0.39	\$ 0.11
Discontinued operations	(0.01)	0.02	—	0.02
	<u>\$ 0.06</u>	<u>\$ 0.07</u>	<u>\$ 0.38</u>	<u>\$ 0.13</u>
Number of Shares Used in Computing Basic Earnings per Share	108,942	92,141	107,605	89,939
EARNINGS PER COMMON SHARE—DILUTED:				
Continuing operations	\$ 0.07	\$ 0.05	\$ 0.39	\$ 0.11
Discontinued operations	(0.01)	0.02	—	0.02
	<u>\$ 0.06</u>	<u>\$ 0.07</u>	<u>\$ 0.38</u>	<u>\$ 0.13</u>
Number of Shares Used in Computing Diluted Earnings per Share	109,112	92,255	107,768	90,198

See accompanying notes to the condensed consolidated financial statements.

Note: Basic and diluted EPS for the six months ended June 30, 2011 do not foot due to the rounding of the individual calculations.

EQUITY ONE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
For the three and six months ended June 30, 2011 and 2010
(Unaudited)
(In thousands)
(Restated)

	Three months ended June 30,		Six months ended June 30,	
	2011 (Restated)	2010	2011 (Restated)	2010
NET INCOME	\$ 9,121	\$6,229	\$46,496	\$11,024
OTHER COMPREHENSIVE INCOME (LOSS):				
Net unrealized holding gain on securities available for sale	—	—	—	14
Reclassification adjustment for gain on sale of securities included in net income	—	(359)	—	(359)
Net amortization of interest rate contracts included in net income	16	16	32	31
Net unrealized gain (loss) on interest rate swap	13	(163)	94	(1,175)
Other comprehensive income (loss) adjustment	29	(506)	126	(1,489)
COMPREHENSIVE INCOME	9,150	5,723	46,622	9,535
Comprehensive (income) loss attributable to noncontrolling interests	(2,135)	10	(4,517)	647
COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY ONE, INC.	<u>\$ 7,015</u>	<u>\$5,733</u>	<u>\$42,105</u>	<u>\$10,182</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
For the six months ended June 30, 2011
(Unaudited)
(In thousands)
(Restated)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Distributions in Excess of Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity of Equity One, Inc.</u>	<u>Noncontrolling Interests</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>						
BALANCE, DECEMBER 31, 2010	102,327	\$ 1,023	\$1,391,762	\$ (105,309)	\$ (1,569)	\$ 1,285,907	\$ 3,934	\$ 1,289,841
Issuance of common stock	6,144	61	116,556	—	—	116,617	—	116,617
Stock issuance costs	—	—	(982)	—	—	(982)	—	(982)
Share-based compensation expense	—	—	3,425	—	—	3,425	—	3,425
Net income	—	—	—	41,979	—	41,979	4,517	46,496
Net loss attributable to redeemable noncontrolling interest	—	—	—	—	—	—	13	13
Dividends paid on common stock	—	—	—	(48,743)	—	(48,743)	—	(48,743)
Distributions to noncontrolling interests	—	—	—	—	—	—	(4,523)	(4,523)
Conversion of Class A share by LIH	10	—	—	—	—	—	—	—
Acquisition of C&C (US) No. 1	4,051	41	73,657	—	—	73,698	206,145	279,843
Purchase of subsidiary shares from noncontrolling interests	—	—	—	—	—	—	(237)	(237)
Other comprehensive income adjustment	—	—	—	—	126	126	—	126
BALANCE, JUNE 30, 2011	<u>112,532</u>	<u>\$ 1,125</u>	<u>\$1,584,418</u>	<u>\$ (112,073)</u>	<u>\$ (1,443)</u>	<u>\$ 1,472,027</u>	<u>\$ 209,849</u>	<u>\$ 1,681,876</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the six months ended June 30, 2011 and 2010
(Unaudited)
(In thousands)
(Restated)

	<u>Six months ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
	(Restated)	
OPERATING ACTIVITIES:		
Net income	\$ 46,496	\$ 11,024
Adjustments to reconcile net income to net cash provided by operating activities:		
Straight line rent adjustment	(1,808)	(1,016)
Accretion of below market lease intangibles, net	(5,066)	(3,905)
Equity in (income) loss in unconsolidated joint ventures	(811)	82
Gain on bargain purchase	(30,561)	—
Income tax benefit of taxable REIT subsidiaries	(1,118)	(1,994)
Provision for losses on accounts receivable	1,573	1,146
Amortization of discount on notes payable, net	667	1,403
Amortization of deferred financing fees	1,105	900
Depreciation and amortization	49,369	33,973
Share-based compensation expense	3,322	3,142
Amortization of derivatives	32	31
Gain on sale of real estate	(4,606)	(1,898)
Gain on extinguishment of debt	(255)	(63)
Gain on sale of securities	—	(366)
Operating distributions from joint ventures	513	241
Impairment loss on income producing properties held for sale	1,277	—
Goodwill impairment	145	—
Changes in assets and liabilities, net of effects of acquisitions and disposals:		
Accounts and other receivables	2,012	272
Other assets	(4,794)	(9,345)
Accounts payable and accrued expenses	2,224	8,136
Tenant security deposits	13	(168)
Other liabilities	(407)	(2,702)
Net cash provided by operating activities	<u>\$ 59,322</u>	<u>\$ 38,893</u>
INVESTING ACTIVITIES:		
Acquisition of income producing properties	\$(100,472)	\$(33,278)
Additions to income producing properties	(6,660)	(3,835)
Additions to and purchases of land held for development	—	(1,337)
Additions to construction in progress	(7,503)	(5,249)
Proceeds from sale of real estate and rental properties	42,052	2,433
Increase in deferred leasing costs and lease intangibles	(3,531)	(1,884)
Investment in joint ventures	(9,769)	(1,000)
Investment in consolidated subsidiary	(242)	(12,635)
Advances to joint ventures	—	(118)
Proceeds from sale of securities	—	841
Net cash used in investing activities	<u>\$ (86,125)</u>	<u>\$ (56,062)</u>

(Continued)

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the six months ended June 30, 2011 and 2010
(Unaudited)
(In thousands)
(Restated)

	<u>Six months ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
	<u>(Restated)</u>	
FINANCING ACTIVITIES:		
Repayments of mortgage notes payable	\$(143,383)	\$(68,177)
Net borrowings under revolving credit facilities	63,500	—
Proceeds from issuance of common stock	116,617	99,959
Payment of deferred financing costs	(252)	(427)
Stock issuance costs	(982)	(1,292)
Dividends paid to stockholders	(48,743)	(40,694)
Distributions to noncontrolling interests	(4,523)	—
Net cash used in financing activities	<u>(17,766)</u>	<u>(10,631)</u>
Net decrease in cash and cash equivalents	(44,569)	(27,800)
Cash and cash equivalents obtained through acquisition	23,412	—
Cash and cash equivalents at beginning of the period	38,333	47,970
Cash and cash equivalents at end of the period	<u>\$ 17,176</u>	<u>\$ 20,170</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest (net of capitalized interest of \$1,028 and \$1,061 in 2011 and 2010, respectively)	<u>\$ 42,151</u>	<u>\$ 38,821</u>
We acquired upon acquisition of certain rental properties:		
Income producing properties	\$ 123,533	\$ 56,517
Intangible and other assets	8,570	7,014
Intangible and other liabilities	(20,528)	(10,456)
Assumption of mortgage notes payable	(11,103)	(19,797)
Cash paid for rental properties	<u>\$ 100,472</u>	<u>\$ 33,278</u>
Net cash paid for the acquisition of C&C (US) No. 1 is as follows:		
Income producing properties	\$ 471,219	\$ —
Intangible and other assets	113,484	—
Intangible and other liabilities	(35,898)	—
Assumption of mortgage notes payable	(261,813)	—
Issuance of Equity One common stock	(73,698)	—
Noncontrolling interest in C&C (US) No. 1	(206,145)	—
Gain on bargain purchase	(30,561)	—
Cash acquired upon acquisition of C&C (US) No. 1	<u>23,412</u>	<u>—</u>
Net cash paid for acquisition of C&C (US) No. 1	<u>\$ —</u>	<u>\$ —</u>
Net cash paid for acquisition of rental properties	<u>\$ 100,472</u>	<u>\$ 33,278</u>

(Concluded)

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2011
(Unaudited)
(Restated)

1. Organization and Basis of Presentation

Organization

We are a real estate investment trust, or REIT, that owns, manages, acquires, develops and redevelops neighborhood and community shopping centers. We were organized as a Maryland corporation in 1992, completed our initial public offering in May 1998, and have elected to be taxed as a REIT since 1995.

As of June 30, 2011, our consolidated property portfolio comprised 199 properties totaling approximately 20.7 million square feet of gross leasable area, or GLA, and included 176 shopping centers, ten development or redevelopment properties, eight non-retail properties and five land parcels. As of June 30, 2011, our core portfolio was 90.2% leased and included national, regional and local tenants. Additionally, we had joint venture interests in 16 shopping centers, three office buildings and one apartment building totaling approximately 3.2 million square feet.

On January 4, 2011, we closed on the acquisition of C&C (US) No. 1, Inc., which we refer to as CapCo, through a joint venture with Liberty International Holdings Limited, or LIH. At the time of acquisition, CapCo owned a portfolio of 13 properties in California totaling approximately 2.6 million square feet of GLA. The results of CapCo have been included in our financial statements as of the date of acquisition. A more complete description of this acquisition is provided in Note 3 below.

Restatement of Gain on Bargain Purchase

As previously reported on our Form 8-K filed November 3, 2011, we concluded that our unaudited condensed consolidated financial statements for the three months ended March 31, 2011 and for the six months ended June 30, 2011 filed with our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, respectively, contained an error relating solely to the amount of a non-cash gain on bargain purchase recognized in net income for the three months ended March 31, 2011 and the six months ended June 30, 2011.

In connection with the CapCo acquisition, we originally recorded a non-cash gain on bargain purchase in the aggregate amount of \$53.5 million, representing the amount by which the fair value of the net assets acquired exceeded the fair value of the consideration transferred. In order to determine the amount of consideration transferred to LIH, we were required to determine the fair value of the 11.4 million non-controlling Class A Shares of the joint venture issued to LIH, which shares are redeemable by LIH on a one-for-one basis for shares of our common stock. In consultation with our external valuation advisors, a discount of 12.8% was applied to the market price of our common stock to value the Class A Shares issued to LIH. The discount was attributed to the lack of marketability and considered the probability that the Class A Shares would not be redeemed for at least five years as a result of the tax consequences to LIH of redeeming prior to the end of such period. Based on additional analysis of the accounting rules applicable to fair value computations and in consultation with our valuation advisors, we have determined that applicable fair value accounting guidance was misinterpreted in valuing the complex Class A Shares and related rights granted to LIH by taking into account tax circumstances peculiar to LIH. Accordingly, we have concluded that no discount should have been applied in determining the value of the Class A Shares because, in effect, such shares could be redeemed immediately for shares of our common stock by LIH and the tax circumstances of LIH should not have been considered in assessing the probability that LIH would not redeem prior to the end of such five year period. As a result, the \$53.5 million gain on bargain purchase recognized during the three months ended March 31, 2011 and the six months ended June 30, 2011 should be reduced by \$26.4 million.

The effect on the condensed consolidated balance sheet at March 31, 2011 is a decrease to total stockholders' equity of Equity One, Inc. of \$26.4 million to \$1.4 billion and an increase to noncontrolling interests of \$26.4 million to \$210.1 million. For the three months ended March 31, 2011, the effects on the condensed consolidated statement of income are a decrease to the gain on bargain purchase of \$26.4 million to \$27.1 million, which decreases net income attributable to Equity One, Inc. by the same amount to \$32.1 million. Basic and diluted earnings per share for the three months ended March 31, 2011 have been restated to \$0.30 and \$0.29, respectively, from \$0.54 and \$0.51, respectively, as a result of this error.

The effect on the condensed consolidated balance sheet at June 30, 2011 is a decrease to total stockholders' equity of Equity One, Inc. of \$26.4 million to \$1.5 billion and an increase to noncontrolling interests of \$26.4 million to \$209.8 million. There is no change to the condensed consolidated statement of income for the three months ended June 30, 2011 and the related earnings per share. For the six months ended June 30, 2011, the effects on the condensed consolidated statement of income is a decrease to the gain on bargain purchase of \$26.4 million to \$27.1 million, which decreases net income attributable to Equity One, Inc. by the same amount to \$39.6 million. For the six months ended June 30, 2011, basic and diluted earnings per share were restated to \$0.36 and \$0.36, respectively, from \$0.61 and \$0.59, respectively, as a result of this error.

The financial information for the six months ended June 30, 2011 included in this report has been adjusted to reflect the reduction in gain on bargain purchase resulting from the foregoing prior period error. Additionally, the purchase accounting measurement period adjustments as discussed in Note 3 to the condensed consolidated financial statements have been retroactively applied. The purchase accounting measurement period adjustments do not pertain to corrections of errors but reflect measurement period adjustments based on final property valuation reports for assets acquired and liabilities assumed in the CapCo acquisition. The net effect of these measurement period adjustments, combined with the correction regarding non-controlling interest, reduced net income for the three month period ended March 31, 2011 and the six month period ended June 30, 2011 by approximately \$23.4 million and \$23.9 million, respectively.

Basis of Presentation

The condensed consolidated financial statements include the accounts of Equity One, Inc. and its wholly-owned subsidiaries and those other entities where we have a controlling financial interest including where we have been determined to be a primary beneficiary of a variable interest entity ("VIE") in accordance with the Accounting Standards Codification ("ASC"). Equity One, Inc. and its subsidiaries are hereinafter referred to as "the consolidated companies", the "Company", "we", "our", "us" or similar terms. All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior-period data have been reclassified to conform to the current period presentation.

The provisions of the Consolidations Topic of the Financial Accounting Standards Board ("FASB") ASC (the "FASB ASC") are being applied prospectively, except for the provisions related to the presentation and disclosure of noncontrolling interests, which have been applied retrospectively. Redeemable noncontrolling interests are classified in the mezzanine section of the condensed consolidated balance sheets as a result of their redemption features.

The condensed consolidated financial statements included in this report are unaudited. In our opinion, all adjustments considered necessary for a fair presentation have been included. The results of operations for the six month periods ended June 30, 2011 and 2010 are not necessarily indicative of the results that may be expected for a full year.

Our unaudited condensed consolidated financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions of Form 10-Q. Accordingly, these unaudited condensed consolidated financial statements do not contain certain information included in our annual financial statements and notes. The condensed consolidated balance sheet as of December 31, 2010 was derived from audited financial statements included in our 2010 Annual Report on Form 10-K, but does not include all disclosures required under GAAP. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission (the "SEC") on March 11, 2011.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Properties

Income producing properties are stated at cost, less accumulated depreciation and amortization. Costs include those related to acquisition, development and construction, including tenant improvements, interest incurred during development, costs of predevelopment and certain direct and indirect costs of development. Costs related to business combinations are expensed as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for ordinary maintenance and repairs are expensed to operations as they are incurred. Significant renovations and improvements that improve or extend the useful lives of assets are capitalized.

Cash and Cash Equivalents

We consider liquid investments with a purchase date life to maturity of three months or less to be cash equivalents.

Construction in Progress and Land Held for Development

Properties also include construction in progress and land held for development. These properties are carried at cost and no depreciation is recorded. Properties undergoing significant renovations and improvements are considered under development. All direct and indirect costs related to development activities, are capitalized into construction in progress and land held for development on our consolidated balance sheets except certain demolition costs, which are expensed as incurred. Costs incurred include predevelopment expenditures directly related to a specific project including development and construction costs, interest, insurance and real estate taxes. Indirect development costs include employee salaries and benefits, travel and other related costs that are directly associated with the development of the property. Our method of calculating capitalized interest is based upon applying our weighted average borrowing rate to the actual costs incurred. The capitalization of such expenses ceases when the property is ready for its intended use, but no later than one-year from substantial completion of major construction activity. If we determine that a project is no longer viable, all predevelopment project costs are immediately expensed. Similar costs related to properties not under development are expensed as incurred.

Business Combinations

We allocate the purchase price of acquired properties to land, building, improvements and intangible assets and liabilities in accordance with the Business Combinations Topic of the FASB ASC. We allocate the initial purchase price of assets acquired (net tangible and identifiable intangible assets) and liabilities assumed based on their relative fair values at the date of acquisition. There are four categories of intangible assets and liabilities to be considered: (1) in-place leases; (2) above and below-market value of in-place leases; (3) lease origination costs and (4) customer relationships. The aggregate value of other acquired intangible assets, consisting of in-place leases, is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates over (ii) the estimated fair value of the property as-if-vacant, determined as set forth above. The value of in-place leases exclusive of the value of above-market and below-market in-place leases is amortized to depreciation expense over the estimated remaining term of the respective leases. The value of above-market and below-market in-place leases is amortized to rental revenue over the estimated remaining term of the leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

The results of operations of acquired properties are included in our financial statements as of the dates they are acquired. The intangible assets and liabilities associated with property acquisitions are included in other assets and other liabilities in our consolidated balance sheets.

Investments in Joint Ventures

We analyze our joint ventures under the FASB ASC Topics of Consolidation and Real Estate-General in order to determine whether the entity should be consolidated. If it is determined that these investments do not require consolidation because the entities are not VIEs in accordance with the Consolidation Topic of the FASB ASC, we are not considered the primary beneficiary of the entities determined to be VIEs, we do not have voting control, and/or the limited partners (or non-managing members) have substantive participatory rights, then the selection of the accounting method used to account for our investments in unconsolidated joint ventures is generally determined by our voting interests and the degree of influence we have over the entity. Management uses its judgment when determining if we are the primary beneficiary of, or have a controlling interest in, an entity in which we have a variable interest. Factors considered in determining whether we have the power to direct the activities that most impact the entity's economic performance include risk and reward sharing, experience and financial condition of the other partners, voting rights, involvement in day-to-day capital and operating decisions and the extent of our involvement in the entity.

We use the equity method of accounting for investments in unconsolidated joint ventures when we own more than 20% but less than 50% of the voting interests and have significant influence but do not have a controlling financial interest, or if we own less than 20% of the voting interests but have determined that we have significant influence. Under the equity method, we record our investments in and advances to these entities in our consolidated balance sheets and our proportionate share of earnings or losses earned by the joint venture is recognized in equity in income (loss) of unconsolidated joint ventures in the accompanying consolidated statements of income. We derive revenue through our involvement with unconsolidated joint ventures in the form of management and leasing services and interest earned on loans and advances. We account for these revenues gross of our ownership interest in each respective joint venture and record our proportionate share of related expenses in equity in income (loss) of unconsolidated joint ventures.

The cost method of accounting is used for unconsolidated entities in which we do not have the ability to exercise significant influence and we have virtually no influence over partnership operating and financial policies. Under the cost method, income distributions from the partnership are recognized in investment income. Distributions that exceed our share of earnings are applied to reduce the carrying value of our investment and any capital contributions will increase the carrying value of our investment. The fair value of a cost method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment.

On a periodic basis, we evaluate our investments in unconsolidated entities for impairment in accordance with the Investments-Equity Method and Joint Ventures Topic of the FASB ASC. We assess whether there are any indicators, including underlying property operating performance and general market conditions, that the value of our investments in unconsolidated joint ventures may be impaired. An investment in a joint venture is considered impaired only if we determine that its fair value is less than the net carrying value of the investment in that joint venture on an other-than-temporary basis. Cash flow projections for the investments consider property level factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. We consider various qualitative factors to determine if a decrease in the value of our investment is other-than-temporary. These factors include age of the venture, our intent and ability to retain our investment in the entity, financial condition and long-term prospects of the entity and relationships with our partners and banks. If we believe that the decline in the fair value of the investment is temporary, no impairment charge is recorded. If our analysis indicates that there is an other-than-temporary impairment related to the investment in a particular joint venture, the carrying value of the venture will be adjusted to an amount to reflect the estimated fair value of the investment.

Long-lived Assets

We evaluate the carrying value of long-lived assets, including definite-lived intangible assets, when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the Property, Plant and Equipment Topic of the FASB ASC. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. For long-lived assets to be held and used, the fair value of fixed (tangible) assets and definite-lived intangible assets is determined primarily using either internal projected cash flows discounted at a rate commensurate with the risk involved or an external appraisal. For long-lived assets to be disposed of by sale or other than by sale, fair value is determined in a similar manner, except that fair values are reduced for disposal costs.

Properties Held for Sale

The application of current accounting principles that govern the classification of any of our properties as held-for-sale on the consolidated balance sheet, or the presentation of results of operations and gains or losses on the sale of these properties as discontinued, requires management to make certain significant judgments. In evaluating whether a property meets the criteria set forth by the Property, Plant and Equipment Topic of the FASB ASC, we make a determination as to the point in time that it is probable that a sale will be consummated. Given the nature of all real estate sales contracts, it is not unusual for such contracts to allow potential buyers a period of time to evaluate the property prior to formal acceptance of the contract. In addition, certain other matters critical to the final sale, such as financing arrangements often remain pending even upon contract acceptance. As a result, properties under contract may not close within the expected time period, or may not close at all. Due to these uncertainties, it is not likely that we can meet the criteria under the Property, Plant and Equipment Topic of the FASB ASC prior to the sale formally closing. Therefore, any properties categorized as held-for-sale represent only those properties that management has determined are probable to close within the requirements set forth in the Property, Plant and Equipment Topic of the FASB ASC. Prior to sale, we evaluate the extent of involvement with, and the significance to us of cash flows from a property subsequent to its sale, in order to determine if the results of operations and gain or loss on sale should be reflected as discontinued. Consistent with the Property, Plant and Equipment Topic of the FASB ASC, any property sold in which we have significant continuing involvement or cash flows (most often sales to co-investment partnerships) is not considered to be discontinued. In addition, any property which we sell to an unrelated third party, but in which we retain a property or asset management function, is not considered discontinued. Therefore, based on our evaluation of the Property, Plant and Equipment Topic of the FASB ASC only properties sold, or to be sold, to unrelated third parties where we will have no significant continuing involvement or significant cash flows are classified as discontinued operations.

Accounts Receivable

Accounts receivable includes amounts billed to tenants and accrued expense recoveries due from tenants. We make estimates of the uncollectability of our accounts receivable using the specific identification method. We analyze accounts receivable and historical bad debt levels, tenant credit-worthiness, payment history and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. Accounts receivable are written-off when they are deemed to be uncollectable and we are no longer actively pursuing collection. Our reported net income is directly affected by management's estimate of the collectability of accounts receivable.

Goodwill

Goodwill reflects the excess of the fair value of the acquired business over the fair value of net identifiable assets acquired in various business acquisitions. We account for goodwill in accordance with the Intangibles—Goodwill and Other Topic of the FASB ASC.

We are required to perform annual, or more frequently in certain circumstances, impairment tests of our goodwill. We have elected to test for goodwill impairment in November of each year. The goodwill impairment test is a two-step process that requires us to make decisions in determining appropriate assumptions to use in the calculation. The first step consists of estimating the fair value of each reporting unit and comparing those estimated fair values with the carrying values, which include the allocated goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment, if any, by determining an "implied fair value" of goodwill. The determination of each reporting unit's (each property is considered a reporting unit) implied fair value of goodwill requires us to allocate the estimated fair value of the reporting unit to its assets and liabilities. Any unallocated fair value represents the implied fair value of goodwill which is compared to its corresponding carrying amount. During the three and six months ended June 30, 2011, we recognized a goodwill impairment loss of \$145,000. See Note 14.

Deferred Costs and Intangibles

Deferred costs, intangible assets included in other assets, and intangible liabilities included in other liabilities consist of loan origination fees, leasing costs and the value of intangible assets and liabilities when a property was acquired. Loan and other fees directly related to rental property financing with third parties are amortized over the term of the loan using the effective interest method. Direct salaries, third-party fees and other costs incurred by us to originate a lease are capitalized and are being amortized against the respective leases using the straight-line method over the term of the related leases. Intangible assets consist of in-place lease values, tenant origination costs and above-market rents that were recorded in connection with the acquisition of the properties. Intangible liabilities consist of below-market rents that are also recorded in connection with the acquisition of properties. Both intangible assets and liabilities are amortized and accreted using the straight-line method over the term of the related leases. When a lease is terminated early, any remaining unamortized or unaccreted balances under lease intangible assets or liabilities are charged to earnings.

Noncontrolling Interests

Noncontrolling interests generally represent the portion of equity that we do not own in those entities that we consolidate. We account for and report our noncontrolling interests in accordance with the provisions required under the Consolidation Topic of the FASB ASC.

We identify our noncontrolling interests separately within the equity section on the condensed consolidated balance sheets. Noncontrolling interests also includes amounts related to partnership units issued by consolidated subsidiaries or VIEs in connection with certain property acquisitions. Partnership units which embody an unconditional obligation requiring us to redeem the units for cash at a specified or determinable date (or dates) or upon an event that is certain to occur are determined to be mandatorily redeemable under the Distinguishing Liabilities from Equity Topic of the FASB ASC and are classified as redeemable noncontrolling interests and presented in the mezzanine section between total liabilities and stockholder's equity on the condensed consolidated balance sheets. The amounts of consolidated net (loss) income attributable to Equity One, Inc. and to the noncontrolling interests are presented on the condensed consolidated statements of income.

Revenue Recognition

Revenue includes minimum rents, expense recoveries, percentage rental payments and management and leasing services. Minimum rents are recognized on an accrual basis over the terms of the related leases on a straight-line basis. As part of the leasing process, we may provide the lessee with an allowance for the construction of leasehold improvements. Leasehold improvements are capitalized and recorded as tenant improvements and depreciated over the shorter of the useful life of the improvements or the lease term. If the allowance represents a payment for a purpose other than funding leasehold improvements, or in the event we are not considered the owner of the improvements, the allowance is considered a lease incentive and is recognized over the lease term as a reduction to revenue. Factors considered during this evaluation include, among others, the type of improvements made, who holds legal title to the improvements, and other controlling rights provided by the lease agreement. Lease revenue recognition commences when the lessee is given possession of the leased space, when the asset is substantially complete in the case of leasehold improvements, and there are no contingencies offsetting the lessee's obligation to pay rent.

Many of the lease agreements contain provisions that require the payment of additional rents based on the respective tenants' sales volume (contingent or percentage rent) and substantially all contain provisions that require reimbursement of the tenants' allocable real estate taxes, insurance and common area maintenance costs, or CAM. Revenue based on percentage of tenants' sales is recognized only after the tenant exceeds its sales breakpoint. Revenue from tenant reimbursements of taxes, CAM and insurance is recognized in the period that the applicable costs are incurred in accordance with the lease agreements.

Earnings Per Share

Under the Earnings Per Share Topic of the FASB ASC, unvested share-based payment awards that entitle their holders to receive non-forfeitable dividends, such as our restricted stock awards, are classified as "participating securities." As participating securities, our shares of restricted stock will be included in the calculation of basic and diluted earnings per share. Because the awards are considered participating securities under provisions of the Earnings Per Share Topic of the FASB ASC, we are required to apply the two-class method of computing basic and diluted earnings per share. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that would otherwise have been available to common stockholders. Under the two-class method, earnings for the period are allocated between common stockholders and other security holders, based on their respective rights to receive dividends.

Share-Based Payment

Share-based compensation expense charged against earnings is summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)		(In thousands)	
Restricted stock expense	\$ 1,417	\$ 1,025	\$2,706	\$2,109
Stock option expense	375	579	711	1,067
Employee stock purchase plan discount	4	1	8	3
Total equity-based expense	1,796	1,605	3,425	3,179
Restricted stock classified as liability	13	—	20	—
Total expense	1,809	1,605	3,445	3,179
Less amount capitalized	(67)	(11)	(123)	(37)
Net share-based compensation expense	<u>\$ 1,742</u>	<u>1,594</u>	<u>\$3,322</u>	<u>\$3,142</u>

Segment Information

We invest in retail shopping centers through direct ownership or through joint ventures. It is our intent that all retail shopping centers will be owned or developed for investment purposes; however, we may decide to sell all or a portion of a development upon completion. Our revenue and net income are generated from the operation of our investment portfolio. We also earn fees from third parties for services provided to manage and lease retail shopping centers owned through joint ventures or by third parties.

Our portfolio is primarily located throughout the southeastern United States; however, we do not distinguish or group our operations on a geographical basis for purposes of allocating resources or measuring performance. We review operating and financial data for each property on an individual basis; therefore, each of our individual properties is a separate operating segment. No individual property constitutes more than 10% of our revenue, net income or assets, and thus the individual properties have been aggregated into one reportable segment based upon their similarities with regard to both the nature and economics of the centers, tenants and operational processes, as well as long-term average financial performance. In addition, none of the shopping centers is located outside the United States.

Concentration of Credit Risk

A concentration of credit risk arises in our business when a national or regionally based tenant occupies a substantial amount of space in multiple properties owned by us. In that event, if the tenant suffers a significant downturn in its business, it may become unable to make its contractual rent payments to us, exposing us to potential losses in rental revenue, expense recoveries, and percentage rent. Further, the impact may be magnified if the tenant is renting space in multiple locations. Generally, we do not obtain security from our nationally-based or regionally-based tenants in support of their lease obligations to us. We regularly monitor our tenant base to assess potential concentrations of credit risk. As of June 30, 2011, Publix Super Markets is our largest tenant and accounted for approximately 2.7 million square feet, or approximately 13.7% of our gross leasable area, and approximately \$23.1 million, or 9.8%, of our annual minimum rent. As of June 30, 2011, we had outstanding receivables from Publix Super Markets of approximately \$350,000. No other tenant accounted for over 4% of our annual minimum rent.

Recent Accounting Pronouncements

In December 2010, the FASB issued Accounting Standards Update (“ASU”) No. 2010-28, “When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts” (“ASU 2010-28”), which requires a public entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists, effective for fiscal years and interim periods within those years beginning after December 15, 2010. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with the existing guidance and examples in FASB Topic 350 Intangibles—Goodwill and Others, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The adoption had no material effect on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations" ("ASU 2010-29"), which requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period, effective for fiscal years and interim periods within those years beginning on or after December 15, 2010. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. We have incorporated the required disclosures within this Quarterly Report on Form 10-Q where deemed applicable.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRSs")." Under ASU 2011-04, the guidance amends certain accounting and disclosure requirements related to fair value measurements to ensure that fair value has the same meaning in U.S. GAAP and in IFRS and that their respective fair value measurement and disclosure requirements are the same.

This guidance contains certain updates to the measurement guidance as well as enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for "Level 3" measurements including enhanced disclosure for: (1) the valuation processes used by the reporting entity and (2) the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any. This guidance is effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. We do not believe that the adoption of the ASU will have a material impact on our consolidated results of operation and financial condition.

3. Acquisitions and Dispositions

Acquisitions

The following table provides a summary of income producing property acquisition activity (other than CapCo which is discussed below) during the six months ended June 30, 2011:

<u>Date Purchased</u>	<u>Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet</u>	<u>Purchase Price</u> (in thousands)	<u>Mortgage Assumed</u>
May 16, 2011	161 W. 16th Street	New York	NY	56,870	\$ 55,000	\$ —
March 16, 2011	Vons Circle Center	Long Beach	CA	148,000	37,000	11,500
March 15, 2011	Circle Center West	Long Beach	CA	64,000	20,000	—
					<u>\$112,000</u>	<u>\$11,500</u>

In conjunction with the above property acquisitions, we entered into reverse Section 1031 like-kind exchange agreements with third party intermediaries which are for a maximum of 180 days and allow us, for tax purposes, to defer gains on sale of other properties identified and sold within this period. Until the earlier of termination of the exchange agreements or 180 days after the respective acquisition dates, the third party intermediaries are the legal owner of each respective property; however, we control the activities that most significantly impact the property and retain all of the economic benefits and risks associated with the property. Therefore, we have determined we are the primary beneficiary of these VIEs and consolidated the properties and their operations as of each respective acquisition date noted above.

During the three and six months ended June 30, 2011, we expensed approximately \$2.5 million and \$2.6 million, respectively, of acquisition-related costs in connection with these property acquisitions which are included in general and administrative expenses in the condensed consolidated statements of income. The purchase price related to these acquisitions was funded by the use of our line of credit, cash on hand, and assumption of a mortgage with a principal balance of approximately \$11.5 million which matures on October 10, 2028 and bears interest at 5.2%.

Acquisition of a Controlling Interest in CapCo

On January 4, 2011, we acquired a controlling ownership interest in CapCo through a joint venture with LIH. At the time of acquisition, CapCo, which was previously wholly-owned by LIH, owned a portfolio of 13 properties in California totaling approximately 2.6 million square feet of GLA, including Serramonte Shopping Center in Daly City, Plaza Escuela in Walnut Creek, The Willows Shopping Center in Concord, 222 Sutter Street in San Francisco, and The Marketplace Shopping Center in Davis. LIH is a subsidiary of Capital Shopping Centres Group PLC, a United Kingdom real estate investment trust. The results of CapCo's operations have been included in our condensed consolidated financial statements from the date of acquisition.

At the closing of the transaction, LIH contributed all of the outstanding shares of CapCo's common stock to the joint venture in exchange for Class A Shares in the joint venture, representing an approximate 22% interest in the joint venture and we contributed a shared appreciation promissory note to the joint venture in the amount of \$600.0 million and an additional \$84.3 million in exchange for an approximate 78% interest in the joint venture, which consists of approximately 70% of the Class A joint venture shares and all of the Class B joint venture shares. The initial Class B joint venture shares are entitled to a preferred return of 1.5% per quarter. The actual payment of such amounts is limited to the extent that there is available cash remaining in any given period (subsequent to the payment of dividend equivalents to the holders of the Class A joint venture shares). Any remaining available cash after the preferred return is paid in a given period may be distributed, in an elective distribution, among the Class A and Class B joint venture shares, with 83.333% attributable to the Class B joint venture shares and 16.667% to the Class A joint venture shares on a pro-rata basis among the holders of such joint venture shares. Based on the respective ownership percentages held by Equity One and LIH, this allocation provides for, to the extent distributions in excess of available cash are distributed to the joint venture partners in the attribution of approximately 95% of such residual amounts to Equity One and the remaining 5% to LIH.

In addition, at the closing, LIH transferred and assigned to us an outstanding promissory note of CapCo in the amount of \$67.0 million in exchange for 4.1 million shares of our common stock and one share of our newly-established Class A common stock, that (i) is convertible into 10,000 shares of our common stock in certain circumstances and (ii) subject to certain limitations, entitles LIH to voting rights with respect to a number of shares of our common stock determined with reference to the number of joint venture shares held by LIH from time to time. Effective June 29, 2011, the one share of Class A common stock was converted in accordance with its terms into 10,000 shares of our common stock.

The joint venture shares received by LIH are redeemable for cash or, solely at our option, our common stock on a one-for-one basis, subject to certain adjustments. LIH's ability to participate in earnings of CapCo is limited to their right to receive distributions payable on their joint venture shares. These non-elective distributions are designed to mirror dividends paid on our common stock. As such, earnings attributable to the noncontrolling interest as reflected in our condensed consolidated statement of income will be limited to distributions made to LIH on its joint venture shares. Distributions to LIH in the three and six months ended June 30, 2011 were \$2.1 million and \$4.5 million, respectively, which were equivalent to the per share dividends declared on our common stock, adjusted for certain prorations as stipulated by the terms of the transaction.

In connection with the CapCo transaction, we also executed an Equityholders Agreement, among us, Capital Shopping Centers plc ("CSC"), LIH, Gazit-Globe Ltd. ("Gazit"), MGN (USA) Inc., Gazit (1995), Inc., MGN America, LLC, Silver Maple (2001), Inc. and Ficus, Inc. Pursuant to the Equityholders Agreement, we increased the size of our board of directors by one seat, effective January 4, 2011, and appointed David Fischel, a designee of CSC, to the board. Subject to its continuing to hold a minimum number of shares of our common stock (on a fully diluted basis), CSC has the right to nominate one candidate for election to our board of directors at each annual meeting of our stockholders at which directors are elected.

Also in connection with the CapCo transaction, we amended our charter to (i) reclassify and designate one authorized but unissued share of our common stock as one share of a newly-established class of our capital stock, denominated as Class A Common Stock, (ii) add foreign ownership limits and (iii) modify the existing ownership limits for individuals (as defined for purposes of certain provisions of the Internal Revenue Code of 1986, as amended, or the Code). The foreign ownership limits provide that, subject to certain exceptions, a foreign person may not acquire, beneficially or constructively, any shares of our capital stock, if immediately following the acquisition of such shares, the fair market value of the shares of our capital stock owned, directly and indirectly, by all foreign persons (other than LIH and its affiliates) would comprise 29% or more of the fair market value of the issued and outstanding shares of our capital stock.

The ownership limits for individuals in our charter were amended to provide that, subject to exceptions, no person (as such term is defined in our charter), other than an individual (who will be subject to the more restrictive limits discussed below), may own, or be deemed to own, directly and by virtue of certain constructive ownership provisions of the Code, more than 9.9% in value of the outstanding shares of our capital stock in the aggregate or more than 9.9%, in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock, and no individual may own, or be deemed to own, directly and by virtue of certain constructive ownership provisions of the Code, more than 5.0% in value of the outstanding shares of our capital stock in the aggregate or more than 5.0%, in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock.

Under our charter, the board of directors may increase the ownership limits. In addition, our board of directors, in its sole discretion, may exempt a person from the ownership limits and may establish a new limit applicable to that person if that person submits to the board of directors certain representations and undertakings, including representations that demonstrate, to the reasonable satisfaction of the board, that such ownership would not jeopardize our status as a REIT under the Code.

The fair value of the 4.1 million shares of common stock transferred of \$73.7 million was based on the closing market price of our common stock on the closing date of \$18.15 per share.

We expensed approximately \$7.1 million of acquisition-related costs in connection with the CapCo transaction of which \$35,000 and \$1.8 million was recorded in general and administrative expenses in the accompanying condensed consolidated statements of income during the three and six months ended June 30, 2011, respectively, and approximately \$2.4 million and \$3.3 million was recorded in general and administrative expenses for the three and six months ended June 30, 2010, respectively.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date, as well as retrospective adjustments made with respect to the three months ended March 31, 2011 (referred to as "measurement period adjustments"). See "Business Combinations" in Note 2 for the methods used to fair value the income producing properties and the related lease intangibles:

	<u>Amounts Recognized as of Acquisition Date ⁽¹⁾</u>	<u>Measurement Period Adjustments⁽²⁾</u> (In thousands)	<u>Amounts Recognized as of Acquisition Date (as Adjusted)</u>
Assets acquired:			
Income producing properties	\$ 425,199	\$ 9,703	\$ 434,902
Properties held for sale	36,317	—	36,317
Construction in progress	1,530	(14)	1,516
Cash and cash equivalents	23,412	—	23,412
Accounts and other receivables	663	325	988
Investments in and advances to joint ventures	48,092	(681)	47,411
Above-market leases	11,153	(93)	11,060
Other assets ⁽³⁾	46,593	5,916	52,509
Total assets acquired	<u>\$ 592,959</u>	<u>\$ 15,156</u>	<u>\$ 608,115</u>
Liabilities assumed:			
Mortgage notes payable	\$ 256,467	—	\$ 256,467
Unamortized premium on notes payable, net	5,346	—	5,346
Accrued expenses	8,957	1,980	10,937
Below-market leases	12,797	9,732	22,529
Tenant security deposits	871	—	871
Other liabilities	1,561	—	1,561
Total liabilities assumed	<u>\$ 285,999</u>	<u>\$ 11,712</u>	<u>\$ 297,711</u>
Estimated fair value of net assets acquired	<u>\$ 306,960</u>	<u>\$ 3,444</u>	<u>\$ 310,404</u>

- (1) As previously reported in the notes to condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the periods ended March 31 and June 30, 2011.
- (2) During the fourth quarter of 2011 but prior to filing this Amendment No. 1 for the three and six month periods ended June 30, 2011, we finalized the appraisals and allocations of value of certain properties included in our acquisition of CapCo resulting in the measurement period adjustments detailed above. The net impact of these adjustments resulted in a net increase in gain on bargain purchase of \$3.4 million. These adjustments did not have a significant impact on our condensed consolidated statement of income for the three months ended March 31, 2011 and the three and six months ended June 30, 2011.
- (3) Included under the caption “Other assets” are intangible assets related to in-place leases, lease commissions and lease origination costs.

Simultaneous with the closing of the transaction, we contributed an additional \$84.3 million to the joint venture in exchange for additional Class B joint venture shares, which amount was used to repay the remaining principal amount due on the mortgage loan secured by the Serramonte Shopping Center. Although the mortgage loan was paid off at closing, the liability is reflected in the fair value of net assets acquired above since the obligation became ours upon closing.

The fair values of the acquired intangible assets and liabilities, all of which have definite lives and are amortized, were assigned as follows:

	<u>Fair Value (in thousands)</u>	<u>Remaining Weighted- Average Useful Life (in years)</u>
In-place leases	\$ 42,235	9.4
Above-market leases	11,060	7.3
Lease commissions	4,507	8.4
Lease origination costs	992	6.3
Below-market leases	22,529	21.3

As of the acquisition date, we classified three properties with fair values totaling approximately \$36.3 million as held for sale. We report the operating results of properties classified as held for sale as discontinued operations. Results of these held for sale properties are included in a separate component of income on the condensed consolidated statement of income under the caption “operations of income producing properties sold or held for sale.”

The fair values of the mortgage notes payable were determined by use of present value techniques and appropriate market interest rates on a loan by loan basis. In valuing the mortgage notes at each property, we considered the loan-to-value (“LTV”) ratio, maturity date and other pertinent factors related to the loan as well as occupancy level, market location, physical property condition, asset class, cash flow and other factors related to collateral. At the time of valuation, the range of possible borrowings varied by property from 5% to 7%.

The fair value of the noncontrolling interest in CapCo was estimated by reference to the amount that LIH would be entitled to receive upon a redemption of its Class A joint venture shares, which is equal to the value of the same number of shares of Equity One common stock plus any accrued but unpaid quarterly distributions with respect to the Class A joint venture shares. As a result, the fair value of the Class A joint venture shares held by LIH was estimated at \$18.15 per share, or \$206.1 million in aggregate, equal to the value of Equity One common stock that LIH would have received had it redeemed its Class A joint venture shares on January 4, 2011.

The fair value of the identifiable assets acquired and liabilities assumed exceeded the sum of the fair value of the consideration transferred and the fair value of the noncontrolling interest. The fair value of the assets acquired significantly increased from the date the original purchase terms were agreed upon until the closing of the transaction on January 4, 2011. As a result, we recognized a gain of approximately \$30.6 million which is included in the line item entitled “gain on bargain purchase” in the condensed consolidated statement of income for the six months ended June 30, 2011. The following table provides a reconciliation of the gain on bargain purchase:

	(In thousands)
Fair value of net assets acquired	\$ 310,404
Fair value of consideration transferred	(73,698)
Fair value of noncontrolling interest	(206,145)
Gain on bargain purchase	<u>\$ 30,561</u>

The amounts of revenues and earnings of CapCo included in our condensed consolidated statements of income from the acquisition date are as follows:

	Three Months ended June 30, 2011	Six Months ended June 30, 2011
	(In thousands)	
Revenues	\$ 15,177	\$ 27,498
Net loss attributable to Equity One, Inc.	\$ (1,204)	\$ (3,320)

The accompanying unaudited pro forma information for the three and six months ended June 30, 2011 and 2010 is presented as if the acquisition of CapCo on January 4, 2011 had occurred on January 1, 2010. This pro forma information is based upon the historical financial statements and should be read in conjunction with the condensed consolidated financial statements and notes thereto. This unaudited pro forma information does not purport to represent what the actual results of our operations would have been had the above occurred, nor do they purport to predict the results of operations of future periods. The unaudited pro forma information for the three and six months ended June 30, 2011 was adjusted to exclude \$0 and \$30.6 million of gain on bargain purchase, \$35,000 and \$1.8 million of acquisition related costs, and \$318,000 and \$868,000 of reorganization costs related to the acquisition, respectively. The unaudited pro forma information for the three and six months ended June 30, 2010 was adjusted to include \$0 and \$30.6 million of gain on bargain purchase and adjusted to exclude \$2.4 million and \$3.3 million of acquisition related costs, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Revenues	\$88,283	\$85,186	\$173,994	\$168,327
Net income attributable to Equity One, Inc.	\$ 7,339	\$ 5,869	\$ 14,105	\$ 41,008

Property Dispositions

In June 2011, we sold one outparcel for gross proceeds of approximately \$1.3 million and recognized a gain of approximately \$59,000, which is included in gain on sale of real estate in the accompanying condensed consolidated statements of income for the three and six months ended June 30, 2011. We also sold an operating property for gross proceeds of approximately \$1.3 million and recognized a loss of \$13,000, which is included in loss on disposal of income producing properties in the accompanying condensed consolidated statements of income for the three and six months ended June 30, 2011.

In June 2011, we recognized a gain on the sale of an outparcel to our GRI-EQY I, LLC joint venture as the contingencies related to the original sale in April 2008 were met. The gain of \$3.6 million, net of a deferred amount of approximately \$400,000 due to our continuing involvement, is included in gain on sale of real estate in the accompanying condensed consolidated statements of income for the three and six months ended June 30, 2011.

In May 2011, we sold two operating properties to a newly formed joint venture between us and New York State Common Retirement Fund ("CRF") for gross proceeds of approximately \$39.2 million. We recognized a gain of approximately \$943,000, net of the deferred amount of approximately \$404,000 due to our continuing involvement in the joint venture, which is included in gain on sale of real estate in the accompanying condensed consolidated statements of income for the three and six months ended June 30, 2011. See Note 4 below for a description of the CRF joint venture.

As part of our strategy to upgrade and diversify our portfolio and recycle our existing capital, we evaluate opportunities to sell assets or otherwise contribute assets to existing or new joint ventures with third parties. If the market values of these assets are below their carrying values, it is possible that the disposition or contribution of these assets could result in impairments or other losses. Depending on the prevailing market conditions and historical carrying values, these impairments and losses could be material.

Discontinued Operations

We report as discontinued operations, properties held-for-sale and operating properties sold in the current period. The results of these discontinued operations are included in a separate component of income on the condensed consolidated statements of income under the caption discontinued operations. This reporting has resulted in certain reclassifications of financial statement amounts.

In June 2011, we recognized an impairment loss of \$1.3 million relating to our investment in two properties that are held for sale.

The components of income and expense relating to discontinued operations for the three and six months ended June 30, 2011 and 2010 are shown below. These include the results of operations through the date of each respective sale for properties sold during 2011 and 2010 and the operations for the applicable period for those assets classified as held for sale as of June 30, 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)		(In thousands)	
Rental revenue	\$ 1,135	\$ 132	\$ 2,211	\$ 316
Expenses:				
Property operating expenses	409	65	768	113
Rental property depreciation and amortization	37	43	77	88
General and administrative expenses	19	—	35	—
Operations of income producing property	670	24	1,331	115
Interest expense	(280)	—	(559)	—
(Loss) gain on disposal of income producing properties	(13)	1,458	(13)	1,458
Impairment loss on income producing properties held for sale	(1,277)	—	(1,277)	—
Other income	—	—	2	—
(Loss) income from discontinued operations	<u>\$ (900)</u>	<u>\$ 1,482</u>	<u>\$ (516)</u>	<u>\$ 1,573</u>

4. Investments in Joint Ventures

In May 2011, we sold two operating properties, Country Walk Plaza in Miami, FL and Veranda Shoppes in Plantation, FL to a newly formed joint venture between us and CRF for gross proceeds of approximately \$39.2 million. CRF holds a 70% interest in the joint venture and we own a 30% interest. We will perform the day to day accounting and property management functions for the joint venture and, as such, will earn a management fee for the services provided. Our ownership interest in this joint venture is accounted for under the equity method.

In December 2010, we acquired ownership interests in three properties through joint ventures. Two of the properties are located in California and were acquired through partnerships (the "Equity One/Vestar JVs") with Vestar Development Company ("Vestar"). In both of these joint ventures, we hold a 95% interest, and they are consolidated. Each Equity One/Vestar JV holds a 50.5% ownership

interest in each of the California properties through two separate joint ventures with Rockwood Capital (the “Rockwood JVs”). The Equity One/Vestar JVs’ ownership interests in the properties are accounted for under the equity method. Included in our investment are two bridge loans with an aggregate balance of \$35.0 million, secured by the properties, made by the Equity One/Vestar JVs to the Rockwood JVs as short-term financing until longer-term mortgage financing can be obtained. If the Rockwood JVs are unable to obtain financing, the Equity One/Vestar JVs may be contractually required to convert all or a portion of the bridge loans to equity or purchase some or all of Rockwood’s remaining ownership interest. On August 2, 2011, one of the bridge loans and related accrued interest was repaid to us with proceeds from a new mortgage entered into by the JV.

The Rockwood JVs are considered VIEs for which the Equity One/Vestar JVs, which we control, are not the primary beneficiary. The Rockwood JVs were primarily established to own and operate real estate and were deemed VIEs because the initial equity investment at risk may not be sufficient to permit the entities to finance their activities without additional financial support. Additional equity may be required from the partners if the ventures are unable to refinance with longer term mortgage debt in excess of the \$35.0 million bridge loans. We determined that the Equity One/Vestar JVs are not the primary beneficiaries of these VIEs based on shared control of the VIEs and the lack of controlling financial interest.

Our aggregate investment in these VIEs was approximately \$46.7 million as of June 30, 2011, which is included in investments in and advances to joint ventures in the accompanying condensed consolidated balance sheets. Our maximum exposure to loss as a result of our involvement with these VIEs is estimated to be \$46.7 million, which primarily represents our current investment and estimated future funding commitments and buyout provisions. We have not provided financial support to these VIEs, other than as contractually required, and all future funding will be provided in the form of capital contributions by Rockwood and the Equity One/Vestar JVs in accordance with the respective ownership percentages.

In connection with the CapCo acquisition on January 4, 2011, we acquired ownership interests in three properties located in California through joint ventures, tenants-in-common or other shared ownership. The joint ventures include Pacific Financial Center, Parnassus Heights Medical Center, and Trio Apartments. The aggregate fair value of these joint ventures as of January 4, 2011 was \$47.4 million. Our ownership interests in these properties are accounted for under the equity method.

In addition, in connection with our acquisition of CapCo, we acquired a special purpose entity which holds a 58% controlling interest in the Senator office building located in Sacramento, California. At the time of our acquisition, the special purpose entity and the other co-owners in the Senator building were in default of a \$38.3 million loan secured by the property. The loan is non-recourse, other than for certain customary carve-outs which are also guaranteed by Equity One Realty & Management CA, Inc., the entity formerly known as Capital & Counties USA, Inc. As a result of the continuing default, the lender and special servicer have accelerated the loan and have commenced foreclosure proceedings with respect to our interest in the property. It has been our intention since the date we acquired our interest in the property to cooperate with the special servicer and lender to relinquish title. Accordingly, we recently consented to the lender’s appointment of a receiver to manage the property and we have agreed not to obstruct the the lender and special servicer’s efforts to consummate the foreclosure. Although we and the other co-owners continued to hold title to the property as of June 30, 2011, we have assigned no value to our interest in this special purpose entity. There can be no assurance that we will be able to resolve this matter in a short period of time.

As of June 30, 2011, our investments in and advances to unconsolidated joint ventures was composed of the following:

Joint Venture	Number of Properties	Location	Ownership	Investment Balance	
				June 30, 2011	December 31, 2010
(In thousands)					
Investments in unconsolidated joint ventures:					
GRI-EQY I, LLC (1)	10	GA, SC, FL	10.0%	\$ 6,672	\$ 7,046
G&I Investment South Florida Portfolio, LLC	3	FL	20.0%	3,357	3,109
Madison 2260, Realty, LLC	1	NY	8.6%	1,066	1,066
Madison 1235, Realty, LLC	1	NY	20.1%	1,000	1,000
Talega Village Center JV, LLC (2)	1	CA	50.5%	3,822	3,916
Vernola Marketplace JV, LLC (2)	1	CA	50.5%	7,868	8,127
Parnassus Heights Medical Center	1	CA	50.0%	13,934	—
621 Colorado Associates, LLC (3)	1	CA	68.2%	25,750	—
Pacific Financial Center, LLC	1	CA	50.0%	9,527	—
Equity One JV Portfolio, LLC (4)	2	FL	30.0%	7,376	—
Total				<u>80,372</u>	<u>24,264</u>
Advances to unconsolidated joint ventures (5)				<u>40,129</u>	<u>35,472</u>
Investments in and advances to unconsolidated joint ventures				<u>\$120,501</u>	<u>\$ 59,736</u>

- (1) The investment balance is presented net of deferred gains of approximately \$3.3 million associated with the disposition of assets by us to the joint venture.
- (2) Our effective interest is 48% when considering the 5% noncontrolling interest held by Vestar.
- (3) Ownership percentage based on a hypothetical liquidation which considers the preferred return structure of the joint venture.
- (4) The investment balance is presented net of a deferred gain of approximately \$404,000 associated with the disposition of assets by us to the joint venture.
- (5) Included in this amount is the \$35.0 million in bridge loans to the Rockwood JVs and a \$4.6 million receivable associated with the sale of an outparcel to the GRI JV.

Equity in income (loss) in unconsolidated joint ventures totaled approximately \$177,000 and \$811,000 for the three and six months ended June 30, 2011, respectively, and totaled \$(42,000) and \$(82,000), respectively, for the same periods in 2010. Fees paid to us associated with these joint ventures, which are included in management and leasing services revenue in the accompanying condensed consolidated statements of income, totaled approximately \$547,000 and \$914,000 for the three and six months ended June 30, 2011, respectively, and \$381,000 and \$741,000, respectively, for the three and six months ended June 30, 2010.

5. Other Assets

The following is a summary of the composition of the other assets in the condensed consolidated balance sheets:

	June 30, 2011	December 31, 2010
(In thousands)		
Lease intangible assets, net	\$103,742	\$ 60,603
Leasing commissions, net	27,254	23,124
Straight-line rent receivable, net	18,921	17,186
Deposits and mortgage escrow	18,193	17,964
Prepaid and other expenses	9,975	1,413
Deferred financing costs, net	5,017	5,998
Furniture and fixtures, net	1,882	1,408
Total other assets	<u>\$184,984</u>	<u>\$ 127,696</u>

6. Borrowings

Mortgage Notes Payable

The following table is a summary of our mortgage notes payable balances in the condensed consolidated balance sheets:

Mortgage Notes Payable	<u>June 30, 2011</u>	<u>December 31, 2010</u>
	(In thousands)	
Fixed rate mortgage notes	\$ 658,273	\$ 533,660
Unamortized discount, net	(14,036)	(19,168)
Total	<u>\$ 644,237</u>	<u>\$ 514,492</u>
Weighted average-interest rate of fixed rate mortgage notes	6.17%	6.26%

Each of the existing mortgage loans is secured by a mortgage on one or more of our properties. Certain mortgage loans with an aggregate principal balance of \$211.7 million contain prohibitions on transfers of ownership which may have been violated by our previous issuances of common stock or in connection with past acquisitions and may be violated by transactions involving our capital stock in the future. If a violation were established, it could serve as a basis for a lender to accelerate amounts due under the affected mortgage. To date, no lender has notified us that it intends to accelerate its mortgage. In the event that the mortgage holders declare defaults under the mortgage documents we will, if required, repay the remaining mortgage from existing resources, refinancing of such mortgages, borrowings under our revolving lines of credit or other sources of financing. Based on discussions with various lenders, current credit market conditions and other factors, we believe that the mortgages will not be accelerated. Accordingly, we believe that the violations of these prohibitions will not have a material adverse impact on our results of operations or financial condition or cash flows.

During the three and six months ended June 30, 2011, we prepaid, without penalty, \$6.7 million and \$37.7 million in mortgage loans with a weighted-average interest rate of 9.19% and 7.54%, respectively, and \$29.7 million and \$61.2 million in mortgage loans with a weighted-average interest rate of 8.05% and 8.32%, respectively, for the three and six months ended June 30, 2010.

In connection with our acquisition of CapCo, we assumed mortgage indebtedness of \$172.0 million with a weighted average interest rate of 6.18% and maturity dates through November 15, 2019. Additionally, we assumed a mortgage with a principal balance of approximately \$11.5 million related to our acquisition of Vons Circle Center. This mortgage matures on October 10, 2028 with payments based on a 25-year amortization schedule at a fixed interest rate of 5.20%.

Unsecured Senior Notes

Our outstanding unsecured senior notes payable in the condensed consolidated balance sheets consisted of the following:

Unsecured Senior Notes Payable	June 30, 2011	December 31, 2010
	(In thousands)	
7.84% Senior Notes, due 1/23/12	\$ 10,000	\$ 10,000
6.25% senior notes, due 12/15/14	250,000	250,000
5.375% Senior Notes, due 10/15/15	107,505	107,505
6.0% Senior Notes, due 9/15/16	105,230	105,230
6.25% Senior Notes, due 1/15/17	101,403	101,403
6.0% Senior Notes, due 9/15/17	116,998	116,998
Total Unsecured Senior Notes	691,136	691,136
Unamortized discount, net	(2,556)	(2,755)
Total	<u>\$688,580</u>	<u>\$ 688,381</u>
Weighted-average interest rate, net of discount adjustment	6.06%	6.06%

The indentures under which our unsecured senior notes were issued have several covenants which limit our ability to incur debt, require us to maintain an unencumbered asset to unencumbered debt ratio above a specified level and limit our ability to consolidate, sell, lease, or convey substantially all of our assets to, or merge with, any other entity. These notes have also been guaranteed by many of our subsidiaries.

Unsecured Revolving Credit Facilities

Our primary credit facility is with a syndicate of banks and provides \$400.0 million of unsecured revolving credit, which we increased during 2010 from \$227.0 million through the addition of six new lenders and the exercise of the facility's accordion feature. The amended facility bears interest at our option at (i) applicable LIBOR plus 1.00% to 1.70%, depending on the credit ratings of our senior unsecured notes, or (ii) daily LIBOR plus 3.0%. The amended facility also includes a competitive bid option which allows us to conduct auctions among the participating banks for borrowings at any one time outstanding up to 50% of the lender commitments, a \$35.0 million swing line facility for short term borrowings and a \$20.0 million letter of credit commitment. The facility expires on October 17, 2011, with a one year extension option. In addition, the facility contains customary covenants, including financial covenants regarding debt levels, total liabilities, interest coverage, fixed charge coverage ratios, unencumbered properties, permitted investments and others. If a default under the facility were to arise, our ability to pay dividends is limited to the amount necessary to maintain our status as a REIT unless the default is a payment default or bankruptcy event in which case we are prohibited from paying any dividends. As of June 30, 2011, we had drawn \$63.5 million against the credit facility, which bore interest at 1.59%. There was no outstanding balance as of December 31, 2010.

We also have a \$15.0 million unsecured credit facility with City National Bank of Florida, for which there was no outstanding balance as of June 30, 2011 and December 31, 2010. This facility provides for the issuance of up to \$15.0 million in outstanding letters of credit. The facility bears interest at the rate of LIBOR plus 140 basis points and expires on May 8, 2012.

As of June 30, 2011, the maximum availability under these credit facilities was approximately \$256.0 million, net of outstanding letters of credit and subject to the covenants in the loan agreements.

7. Other Liabilities

The following is a summary of the composition of other liabilities in the condensed consolidated balance sheets:

	June 30, 2011	December 31, 2010
	(In thousands)	
Lease intangible liabilities, net	\$123,029	\$ 90,428
Prepaid rent	7,414	6,436
Other	331	107
Total other liabilities	<u>\$130,774</u>	<u>\$ 96,971</u>

8. Income Taxes

We elected to be taxed as a REIT under the Internal Revenue Code (“Code”), commencing with our taxable year ended December 31, 1995. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we currently distribute at least 90% of our REIT taxable income to our stockholders. The difference between net income available to common stockholders for financial reporting purposes and taxable income before dividend deductions relates primarily to temporary differences, such as real estate depreciation and amortization, deduction of deferred compensation and deferral of gains on sold properties utilizing like kind exchanges. Also, at least 95% of our gross income in any year must be derived from qualifying sources. It is our intention to adhere to these requirements and maintain our REIT status. As a REIT, we generally will not be subject to corporate level federal income tax, provided that distributions to our stockholders equal at least the amount of our REIT taxable income as defined under the Code. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if we qualify for taxation as a REIT, we may be subject to state income or franchise taxes in certain states in which some of our properties are located and excise taxes on our undistributed taxable income. We are required to pay U.S. federal and state income taxes on our net taxable income, if any, from the activities conducted by our taxable REIT subsidiaries (“TRSs”). Accordingly, the only provision for federal income taxes in our consolidated financial statements relates to our consolidated TRSs. We recorded an income tax benefit during the three months ended June 30, 2011 and 2010 of approximately \$553,000 and \$926,000, respectively, and for the six months ended June 30, 2011 and 2010 of approximately \$1.1 million and \$2.0 million, respectively. These benefits are primarily attributable to the net operating losses generated by DIM Vastgoed, N.V. (“DIM”), a Dutch company in which we acquired a controlling interest in the first quarter of 2009. Although DIM is organized under the laws of the Netherlands, it pays U.S. corporate income tax based on its operations in the United States. Pursuant to the tax treaty between the U.S. and the Netherlands, DIM is entitled to the avoidance of double taxation on its U.S. income. Thus, it pays virtually no taxes in the Netherlands. In 2010, DIM did not pay any U.S. income tax, which reflected the benefit of net operating loss carry forwards (“NOLs”) in previous years. As of June 30, 2011, DIM had federal and state NOLs of approximately \$24.1 million and \$25.9 million remaining, respectively. These carry forwards begin to expire in 2027.

We believe that we have appropriate support for the tax positions taken on our tax returns and that our accruals for income tax liabilities are adequate for all years still subject to tax audit after 2006.

9. Noncontrolling Interests

Noncontrolling interest represents the portion of equity that we do not own in those entities that we consolidate. We account for and report our noncontrolling interest in accordance with the provisions under the Consolidation Topic of the FASB ASC.

We are involved in the following investment activities in which we have a controlling interest:

On January 1, 1999, Equity One (Walden Woods) Inc., a wholly-owned subsidiary of ours, formed a limited partnership as a general partner. Walden Woods Village, an income producing shopping center, was contributed by its owners (the “Noncontrolling Partners”), and we contributed 93,656 shares of our common stock to the limited partnership at an agreed-upon price of \$10.30 per share. Under the terms of the agreement, the Noncontrolling Partners do not share in any earnings of the partnership, except to the extent of dividends received by the partnership for the shares originally contributed by us. Based on the per-share price and the net value of property contributed by the Noncontrolling Partners, the limited partners received 93,656 partnership units. We have entered into a redemption agreement with the Noncontrolling Partners whereby the Noncontrolling Partners can request that we purchase their partnership units at a price of \$10.30 per unit at any time before January 1, 2014. In accordance with the Distinguishing Liabilities subtopic from the Equity Topic of the FASB ASC, the value of the redeemable noncontrolling interest of \$989,000 is included in the

mezzanine section of our consolidated balance sheet, separate from permanent equity, until the earlier of January 1, 2014 or upon election by the Noncontrolling Partners to redeem their partnership units. We have also entered into a conversion agreement with the Noncontrolling Partners pursuant to which, following notice, the Noncontrolling Partners can convert their partnership units into our common stock. The Noncontrolling Partners have not exercised their redemption or conversion rights, and their noncontrolling interest remains valued at \$989,000.

We have controlling interests in two joint ventures that, together, own our Sunlake development project. We have funded all of the acquisition costs, are required to fund any necessary development and operating costs, receive an 8% preferred return on our advances, have reimbursement rights of all capital outlays upon disposition of the property, and are entitled to 60% of the profits thereafter. The minority partners are not required to make contributions and, to date, have not contributed any capital. Noncontrolling interest will not be recorded until the equity in the property surpasses our capital expenditures and cumulative preferred return.

On January 14, 2009, we acquired a controlling interest in DIM which required us to consolidate DIM's results as of the acquisition date. Upon consolidation, we recorded \$25.8 million of noncontrolling interest which represented the fair value of the portion of DIM's equity that we did not own upon acquisition. Subsequent changes to the noncontrolling interest in stockholders' equity result from the allocation of losses, and additional shares purchased from the noncontrolling interests. Our ownership in DIM as of June 30, 2011 was 97.8%.

The following table shows the effects on our equity resulting from the changes in our ownership interest in DIM:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)		(In thousands)	
Net income attributable to Equity One, Inc.	\$ 6,986	\$ 6,239	\$ 41,979	\$ 11,671
Increase in our paid-in capital for purchase of 32,713 and 253,982 DIM ordinary shares for the three months ended June 30, 2011 and 2010, respectively and 33,213 and 2,527,013 shares for the six months ended June 30, 2011 and 2010, respectively	—	211	—	7,500
Net transfers from noncontrolling interest	—	211	—	7,500
Change from net income attributable to Equity One, Inc. and transfers from noncontrolling interest	<u>\$ 6,986</u>	<u>\$ 6,450</u>	<u>\$ 41,979</u>	<u>\$ 19,171</u>

In December 2010, we acquired controlling interests in three joint ventures with Vestar which required us to consolidate their results as of the acquisition date. Upon consolidation, we recorded \$5.2 million of noncontrolling interest which represented the fair value of the portion of the joint venture equity that we did not own upon acquisition. For the Equity One/Vestar JVs, \$2.4 million of noncontrolling interest is recorded in permanent equity in our condensed consolidated balance sheet at June 30, 2011 and December 31, 2010. The Vestar Arizona JV contains certain provisions which may require us to redeem the noncontrolling interest at fair market value at Vestar's option. Due to the redemption feature, we have recorded the \$2.9 million of noncontrolling interest associated with this venture in the mezzanine section of our condensed consolidated balance sheet at June 30, 2011 and December 31, 2010, which approximates redemption value. The carrying amount of Vestar's redeemable noncontrolling interest will be increased by periodic accretions, which shall be recognized against paid-in capital, such that the carrying amount of the noncontrolling interest will equal the mandatory redemption amount.

Additionally, we acquired a controlling interest in CapCo on January 4, 2011 which required us to consolidate CapCo's results as of the acquisition date. We recorded \$206.1 million of noncontrolling interest upon consolidation, which represented the fair value of the portion of CapCo's equity that we did not own upon acquisition. The \$206.1 million of noncontrolling interest is reflected in the stockholders' equity section of our condensed consolidated balance sheet as permanent equity at June 30, 2011. Since LIH, the noncontrolling party, only participates in the earnings of CapCo to the extent of dividends declared on our common stock and considering that dividends are generally declared and paid in the same quarter, subsequent changes to the noncontrolling interest will only occur if dividends are declared but not paid, or if we acquire all or a portion of LIH's interest or if its LLC shares in CapCo are converted into our common stock. See Note 3 above for a discussion of the CapCo joint venture.

10. Stockholders' Equity and Earnings Per Share

In May 2011, we completed an underwritten public offering and concurrent private placement of approximately 6.0 million shares of our common stock at a price to the public and in the private placement of \$19.42 per share. In the concurrent private placement, an aggregate of 1.0 million shares were purchased by MGN (USA), Inc. an affiliate of our largest stockholder, Gazit-Globe, Ltd., which may be deemed to be controlled by Chaim Katzman, the Chairman of our Board of Directors. The offerings generated proceeds to us of approximately \$115.7 million, net of stock issuance costs and underwriting discounts of \$858,000.

At the closing of the CapCo acquisition on January 4, 2011, LIH contributed all of the outstanding shares of CapCo's common stock to a joint venture between us and LIH in exchange for approximately 11.4 million Class A joint venture shares. The Class A joint venture shares are redeemable by the joint venture upon LIH's option until the tenth anniversary of the closing of the CapCo transaction for cash or, solely at our option, shares of our common stock on a one-for-one basis, subject to certain adjustments.

Also in connection with the CapCo acquisition on January 4, 2011, LIH transferred and assigned to us an outstanding promissory note of CapCo in the amount of \$67.0 million in exchange for 4.1 million shares of our common stock and one share of a newly-established class of our capital stock, Class A common stock, that (i) is convertible into 10,000 shares of our common stock in certain circumstances, and (ii) subject to certain limitations, entitles LIH to voting rights with respect to a number of shares of our common stock determined with reference to the number of joint venture shares held by LIH from time to time. Effective June 29, 2011, the one share of Class A common stock was converted in accordance with its terms into 10,000 shares of our common stock.

In March 2010, we completed an underwritten public offering and concurrent private placement of approximately 5.4 million shares of our common stock at a price to the public and in the private placement of \$18.40 per share. In the concurrent private placement, an aggregate of 600,000 shares were purchased by MGN America, LLC and Silver Maple (2001), Inc., affiliates of our largest stockholder, Gazit-Globe, Ltd. The offerings generated proceeds to us of approximately \$98.9 million, net of stock issuance costs of \$1.0 million.

Earnings per Share

The following summarizes the calculation of basic EPS and provides a reconciliation of the amounts of net income available to common stockholders and shares of common stock used in calculating basic EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in thousands, except per share amounts)			
Income from continuing operations	\$ 10,021	\$ 4,747	\$ 47,012	\$ 9,451
Net (income) loss attributable to noncontrolling interests	(2,135)	10	(4,517)	647
Income from continuing operations attributable to Equity One, Inc.	7,886	4,757	42,495	10,098
Allocation of continuing income to restricted stock awards and Class A common stockholder	(295)	(76)	(597)	(152)
Income from continuing operations attributable to common stockholders	7,591	4,681	41,898	9,946
(Loss) income from discontinued operations attributable to common stockholders	(900)	1,482	(516)	1,573
Allocation of discontinued loss to restricted share awards and Class A common stockholder	—	(6)	—	(3)
(Loss) income from discontinued operations attributable to common stockholders	(900)	1,476	(516)	1,570
Net income available to common stockholders	<u>\$ 6,691</u>	<u>\$ 6,157</u>	<u>\$ 41,382</u>	<u>\$11,516</u>
Weighted average shares outstanding — Basic	108,942	92,141	107,605	89,939
Basic earnings per share attributable to the common stockholders:				
Basic earnings per share from continuing operations	\$ 0.07	\$ 0.05	\$ 0.39	\$ 0.11
Basic earnings (loss) per share from discontinued operations	(0.01)	0.02	—	0.02
Earnings per common share — Basic	<u>\$ 0.06</u>	<u>\$ 0.07</u>	<u>\$ 0.38*</u>	<u>\$ 0.13</u>

* Note: Basic EPS for the six months ended June 30, 2011 does not foot due to the rounding of the individual calculations.

The following summarizes the calculation of diluted EPS and provides a reconciliation of the amounts of net income available to common stockholders and shares of common stock used in calculating diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in thousands, except per share amounts)			
Income from continuing operations	\$ 10,021	\$ 4,747	\$ 47,012	\$ 9,451
Net (income) loss attributable to noncontrolling interests	(2,135)	10	(4,517)	647
Income from continuing operations attributable to Equity One, Inc.	7,886	4,757	42,495	10,098
Allocation of continuing income to restricted share awards and to Class A common stockholder	(295)	(76)	(597)	(152)
Allocation of earnings associated with DIM contingent shares	—	—	—	(88)
Income attributable to convertible EQY-CSC partnership units shareholders	—	—	—	—
Income from continuing operations attributable to common stockholders	\$ 7,591	\$ 4,681	\$ 41,898	\$ 9,858
(Loss) income from discontinued operations	(900)	1,482	(516)	1,573
Allocation of discontinued loss to restricted share awards and to Class A common stockholder	—	(6)	—	(3)
(Loss) income from discontinued operations attributable to common stockholders	(900)	1,476	(516)	1,570
Net income available to common stockholders	<u>\$ 6,691</u>	<u>\$ 6,157</u>	<u>\$ 41,382</u>	<u>\$11,428</u>
Weighted average shares outstanding—Basic	108,942	92,141	107,605	89,939
Convertible EQY-CSC partnership units	—	—	—	—
Stock options using the treasury method	170	114	163	114
Contingent shares to be issued for DIM stock	—	—	—	145
Weighted average shares outstanding—Diluted	<u>109,112</u>	<u>92,255</u>	<u>107,768</u>	<u>90,198</u>
Diluted earnings per share attributable to the common stockholders:				
Diluted earnings per share from continuing operations	\$ 0.07	\$ 0.05	\$ 0.39	\$ 0.11
Diluted (loss) earnings per share from discontinued operations	(0.01)	0.02	—	0.02
Earnings per common share—Diluted	<u>\$ 0.06</u>	<u>\$ 0.07</u>	<u>\$ 0.38*</u>	<u>\$ 0.13</u>

* Note: Diluted EPS for the six months ended June 30, 2011 does not foot due to the rounding of the individual calculations.

The computation of diluted EPS for both the three and six months ended June 30, 2011 did not include 1.9 million shares of common stock, at prices ranging from \$19.84 to \$26.66 and \$18.88 to \$26.66, respectively, because the option prices were greater than the average market prices of our common shares during these respective periods. The computation of diluted EPS for both the three and six months ended June 30, 2010 did not include 1.5 million shares of common stock, at prices ranging from \$21.64 to \$28.05, because the option prices were greater than the average market prices of our common shares during these respective periods.

11. Share-Based Payment Plans

As of June 30, 2011, we have stock options and restricted stock outstanding under our 2000 Executive Incentive Compensation Plan (“2000 Plan”). The 2000 Plan provides for grants of stock options, stock appreciation rights, restricted stock, deferred stock, and other stock-related awards and performance or annual incentive awards that may be settled in cash, stock or other property. Following an amendment to the 2000 Plan approved by our stockholders on May 2, 2011, the total number of shares of common stock that may be issued under the 2000 Plan was increased from 8.5 million shares to 13.5 million shares, and the expiration date for the 2000 Plan was extended for an additional seven years, among other amendments. As of June 30, 2011, 5.1 million shares were available for issuance under the 2000 Plan, as amended. In addition, in connection with the initial employment of Jeffrey S. Olson, our Chief Executive Officer, we issued Mr. Olson options to purchase 364,660 shares of common stock.

The term of each award is determined by our compensation committee, but in no event can be longer than ten years from the date of grant. The vesting of the awards is determined by the committee, in its sole and absolute discretion, at the date of grant of the award. Dividends are paid on certain shares of non-vested restricted stock, which makes the restricted stock a participating security under the Earnings Per Share Topic of the FASB ASC. Certain options, restricted stock and other share awards provide for accelerated vesting if there is a change in control, as defined in the 2000 Plan.

The fair value of each option awarded during 2011 and 2010 was estimated on the date of grant using the Black-Scholes-Merton option-pricing model. Expected volatilities, dividend yields, employee exercises and employee forfeitures are primarily based on historical data. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. We measure compensation expense for restricted stock awards based on the fair value of our common stock at the date of the grant and charge to expense such amounts ratably over the vesting period. For grants with a graded vesting schedule, we have elected to recognize compensation expense on a straight-line basis. We used the shortcut method described in the Share Compensation Topic of the FASB ASC for determining the expected life used in the valuation method.

The following table presents stock option activity during the six months ended June 30, 2011:

	<u>Shares Under Option</u> (in thousands)	<u>Weighted-Average Exercise Price</u>
Outstanding at January 1, 2011	3,346	\$ 20.73
Granted	227	\$ 19.07
Exercised	(2)	\$ 18.88
Forfeited	(3)	\$ 18.88
Outstanding at June 30, 2011	<u>3,568</u>	\$ 20.62
Exercisable at June 30, 2011	<u>2,472</u>	\$ 21.91

The following table presents information regarding restricted stock activity during the six months ended June 30, 2011:

	<u>Unvested Shares</u> (in thousands)	<u>Weighted-Average Price</u>
Unvested at January 1, 2011	1,247	\$ 17.11
Granted	*128	\$ 18.75
Vested	(139)	\$ 17.34
Forfeited	(1)	\$ 19.03
Unvested at June 30, 2011	<u>*1,235</u>	\$ 17.25

* Does not include 800,000 Executive Shares as discussed hereafter.

During the six months ended June 30, 2011, we granted 128,127 shares of restricted stock that are subject to forfeiture and vest over periods from 2 to 3 years, except for 69,333 shares of restricted stock awarded to Thomas Caputo, our President, as part of his new employment agreement with us which was executed on January 28, 2011, (i) 34,666 shares of which will vest on December 31, 2012; and (ii) 34,667 of which will vest on December 31, 2014, in each case if either Mr. Caputo is then employed by us under his employment agreement or if the vesting of such shares accelerates in the event of certain terminations. The total vesting-date value of the 139,095 shares of restricted stock that vested during the six months ended June 30, 2011 was \$2.6 million.

On August 9, 2010, 698,894 restricted shares were awarded to Jeffrey S. Olson as part of his new employment agreement with us. Of this amount, 582,412 restricted shares (“Contingent Shares”) were issued under the 2000 Plan and will vest if our total shareholder return over a four-year measurement period commencing on January 1, 2011 exceeds the average total shareholder return of a peer group of publicly traded retail property REITs, as well as an absolute return threshold. All of the Contingent Shares will vest on December 31, 2014 (or such shorter time as provided in the employment agreement) if our total shareholder return for the measurement period both (1) exceeds the average total shareholder return of the peer group of companies by at least 300 basis points and (2) equals or exceeds 9%. If the contingent shares do not meet the full vesting requirements, one-half of the Contingent Shares will vest on December 31, 2014 if our total shareholder return for the measurement period both (1) exceeds the average total shareholder return of the peer group of companies by at least 150 basis points and (2) equals or exceeds 6%. Mr. Olson must be employed by us on the vesting date. Mr. Olson will receive any dividends declared on the Contingent Shares over the measurement period and those dividends will not be forfeited by Mr. Olson if the Contingent Shares fail to vest.

On January 28, 2011, we entered into employment agreements with Mr. Caputo, Arthur L. Gallagher, our Executive Vice President, President, South Florida, General Counsel and Corporate Secretary, and Mark Langer, our Executive Vice President and Chief Financial Officer, which are effective as of February 1, 2011. The initial term of each employment agreement ends December 31,

2014 and will automatically renew for successive one-year periods unless either party gives the other written notice at least six months before the expiration of the applicable term of that party's intent to let the employment agreement expire. We granted an aggregate of 800,000 restricted shares (the "Executive Shares") under the new employment agreements which will vest if our total shareholder return over a four-year measurement period commencing on February 1, 2011 exceeds the average total shareholder return of a peer group of publicly traded retail property REITs, as well as an absolute return threshold. The total return thresholds for the Executive Shares are the same as the thresholds applicable to the Contingent Shares awarded to Mr. Olson. Messrs Caputo, Gallagher, and Langer do not participate in dividends over the performance period and must be employed by us on the vesting date to receive the shares. As these shares are not entitled to vote or receive dividends during the performance period, they are not included in our restricted share count.

The Contingent Shares and the Executive Shares were each valued at approximately \$4.5 million utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The Monte Carlo simulation used the statistical formula underlying the Black-Scholes-Merton binomial formula. For the Contingent Shares, we recognize compensation expense over the requisite service period from August 9, 2010 through December 31, 2014. For the Executive Shares, we recognize compensation expense over the requisite service period from January 28, 2011 through December 31, 2014. During the six months ended June 30, 2011, we recognized approximately \$476,000 and \$513,000 of compensation expense related to the Executive Shares and Contingent Shares, respectively.

Pursuant to their employment agreements, each of our executive officers is entitled to an annual bonus based upon the achievement of certain performance levels established by our compensation committee. We anticipate that the performance levels will be set for each calendar year so that each executive can reasonably be expected to earn a bonus for such calendar year in an amount equal to 50% of his base salary for each of Messrs. Olson and Caputo and 100% of his base salary for each of Messrs. Langer and Gallagher. Bonuses for Messrs. Olson and Caputo are payable in cash; bonuses for Messrs. Langer and Gallagher are payable one-half in cash and one-half in shares of restricted stock, which shares will vest in equal portions on the first, second and third year anniversaries of the grant date, subject to the executive then being employed by us, provided that the number of shares of restricted stock that would otherwise be granted to Mr. Langer for any bonus with respect to the 2011 or 2012 calendar years will be reduced (but not below zero) by 12,500 shares. No bonus will be payable for Mr. Langer or Mr. Gallagher in respect of a calendar year in which such executive allows his employment agreement to expire. If we allow either Mr. Langer's or Mr. Gallagher's employment agreement to expire, all unvested shares of restricted stock granted to the executive in respect of the foregoing annual bonuses will continue to vest as if the executive had been employed through the last date such shares would have otherwise vested.

As of June 30, 2011, we had \$20.4 million of total unrecognized compensation expense related to unvested and restricted share-based payment arrangements (unvested options and restricted shares) granted under the 2000 Plan. This expense is expected to be recognized over a weighted-average period of 3.21 years.

12. Commitments and Contingencies

As of June 30, 2011, we had pledged letters of credit having an aggregate face amount of \$3.8 million as additional security for financial and other obligations.

We have invested an aggregate of approximately \$44.9 million in development or redevelopment projects at various stages of completion and anticipate that these projects will require an additional \$152.7 million to complete, based on our current plans and estimates. These obligations, comprising principally construction contracts, are generally due as the work is performed and are expected to be financed by the funds available under our credit facilities, proceeds from the issuance of additional debt or equity securities, capital from institutional partners that desire to form joint venture relationships with us and proceeds from property dispositions.

As of June 30, 2011, we have entered into contracts to purchase \$15.0 million in commercial real estate. These contracts have passed the due diligence period and the \$4.0 million in deposits are non-refundable, except as otherwise provided in the contract.

We are subject to litigation in the normal course of business. However, we do not believe that any of the litigation outstanding as of June 30, 2011 will have a material adverse effect on our financial condition, results of operations or cash flows.

At June 30, 2011, we are obligated under non-cancellable operating leases for office space, equipment rentals and ground leases on certain of our properties. At June 30, 2011, minimum annual payments under non-cancellable operating leases are as follows:

<u>Years ending</u>	<u>Amount</u> <u>(in thousands)</u>
2011	\$ 398
2012	766
2013	692
2014	692
2015	663
Thereafter	4,159
Total	<u>\$ 7,370</u>

13. Environmental Matters

We are subject to numerous environmental laws and regulations. The operation of dry cleaning and gas station facilities at our shopping centers are the principal environmental concerns. We require that the tenants who operate these facilities do so in material compliance with current laws and regulations and we have established procedures to monitor their operations. Where available, we have applied and been accepted into state sponsored environmental programs. Several properties in the portfolio will require or are currently undergoing varying levels of environmental remediation; however, we have environmental insurance policies covering most of our properties which limits our exposure to some of these conditions. We currently have one significant environmental remediation liability on our consolidated balance sheet related to our Westbury land acquisition. The capitalized cost associated with this acquisition comprised the purchase price plus a preliminary estimate of the cost of environmental remediation for the site of \$5.9 million, which was based on a range provided by third party environmental consultants. This range varied from \$5.9 million to \$8.4 million on an undiscounted basis, with no amount being more likely than any other at the time the study was performed. During the three and six months ended June 30, 2011, we paid approximately \$1.9 million and \$3.8 million, respectively related to the environmental remediation for the site. Management believes that the ultimate disposition of currently known environmental matters will not have a material effect on our financial position, liquidity or operations.

14. Fair Value Measurements

Fair Value Hierarchy

The Fair Value Measurements and Disclosures Topic of FASB ASC requires the categorization of financial assets and liabilities, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs. The various levels of the fair value hierarchy are described as follows:

- Level 1—Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that we have the ability to access.
- Level 2—Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
- Level 3—Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Fair Value Measurements and Disclosures Topic of FASB ASC requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Recurring and Non-Recurring Fair Value Measurements

We held no assets or liabilities that were required to be measured at fair value on a recurring basis as of June 30, 2011 and December 31, 2010.

We are required to perform annual, or more frequent in certain circumstances, impairment tests of our goodwill. Impairments, if any, result from values established by Level 3 valuations. During the three and six months ended June 30, 2011, we recorded \$145,000 in goodwill impairment related to an operating property. We estimated the fair value of the reporting unit using discounted projected future cash flows. The results of this analysis indicated that the carrying value of the reporting unit exceeded its fair value. Subsequent to the impairment, no goodwill remained for the reporting unit.

Valuation Methods

Long term incentive plan—We have a long-term incentive plan for four of our executives based on our total shareholder return versus returns for five of our peer companies. The fair value of this plan is determined using the average trial-specific value of the awards eligible for grant under the plan based upon a Monte Carlo simulation model. This model considers various assumptions, including time value, volatility factors, current market and contractual prices as well as projected future market prices for our common stock as well as common stock of our peer companies over the performance period. Substantially all of these assumptions are observable in the marketplace throughout the full term of the plan, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

15. Fair Value of Financial Instruments

The estimated fair values of financial instruments have been determined by us using available market information and appropriate valuation methods. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. We have used the following market assumptions and/or estimation methods:

Cash and Cash Equivalents and Accounts and Other Receivables—The carrying amounts reported in the balance sheets for these financial instruments approximate fair value because of their short maturities.

Notes Receivable—The fair value is estimated by using the current interest rates at which similar loans would be made. The carrying amounts reported in the balance sheets approximate fair value.

Mortgage Notes Payable—The fair value estimated at June 30, 2011 and December 31, 2010 was \$721.4 million and \$573.5 million, respectively, calculated based on the net present value of payments over the term of the loans using estimated market rates for similar mortgage loans and remaining terms. The carrying amount of these notes was approximately \$644.2 million and \$514.5 million at June 30, 2011 and December 31, 2010, respectively.

Unsecured Senior Notes Payable—The fair value estimated at June 30, 2011 and December 31, 2010 was \$732.0 million and \$712.4 million, calculated based on the net present value of payments over the terms of the notes using estimated market rates for similar notes and remaining terms. The carrying amount of these notes was approximately \$688.6 million and \$688.4 million at June 30, 2011 and December 31, 2010, respectively.

The fair market value calculation of our debt, for the period ended June 30, 2011, includes assumptions as to the effects that prevailing market conditions would have on existing secured or unsecured debt. The calculation uses a market rate spread over the risk free interest rate. This spread is determined by using the weighted average life to maturity coupled with loan-to-value considerations of the respective debt. Once determined, this market rate is used to discount the remaining debt service payments in an attempt to reflect the present value of this stream of cash flows. While the determination of the appropriate market rate is subjective in nature, recent market data gathered suggest that the composite rates used for mortgages and senior notes are consistent with current market trends.

16. Condensed Consolidating Financial Information

Many of our subsidiaries have guaranteed our indebtedness under the unsecured senior notes and the revolving credit facilities. The guarantees are joint and several and full and unconditional.

<u>Condensed Consolidating Balance Sheet as of June 30, 2011</u>	<u>Equity One, Inc.</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries (In thousands)</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
ASSETS					
Properties, net	\$ 296,483	\$1,327,140	\$ 1,340,783	\$ (91)	\$2,964,315
Investment in affiliates	1,228,310	—	—	(1,228,310)	—
Other assets	210,048	58,820	962,052	(885,050)	345,870
Total Assets	\$ 1,734,841	\$1,385,960	\$ 2,302,835	\$ (2,113,451)	\$3,310,185
LIABILITIES					
Mortgage notes payable	\$ 30,672	\$ 170,789	\$ 601,434	\$ (144,622)	\$ 658,273
Unsecured senior notes payable	1,291,136	—	70,708	(670,708)	691,136
Unsecured revolving credit facilities	63,500	—	—	—	63,500
Unamortized/unaccreted (discount)/premium on notes payable	(2,600)	1,469	(15,461)	—	(16,592)
Other liabilities	12,417	82,090	150,219	(16,585)	228,141
Total Liabilities	1,395,125	254,348	806,900	(831,915)	1,624,458
Redeemable noncontrolling interests	—	—	—	3,851	3,851
STOCKHOLDERS' EQUITY	339,716	1,131,612	1,495,935	(1,285,387)	1,681,876
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,734,841	\$1,385,960	\$ 2,302,835	\$ (2,113,451)	\$3,310,185
Condensed Consolidating Balance Sheet as of December 31, 2010					
	<u>Equity One, Inc.</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries (In thousands)</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
ASSETS					
Properties, net	\$ 300,284	\$1,346,173	\$ 783,762	\$ (91)	\$2,430,128
Investment in affiliates	628,310	—	—	(628,310)	—
Other assets	166,966	65,014	174,556	(154,800)	251,736
Total Assets	\$ 1,095,560	\$1,411,187	\$ 958,318	\$ (783,201)	\$2,681,864
LIABILITIES					
Mortgage notes payable	\$ 31,548	\$ 203,873	\$ 442,861	\$ (144,622)	\$ 533,660
Unsecured senior notes payable	691,136	—	—	—	691,136
Unamortized/unaccreted (discount)/premium on notes payable	(2,780)	1,630	(20,773)	—	(21,923)
Other liabilities	14,687	80,569	100,299	(10,269)	185,286
Total Liabilities	734,591	286,072	522,387	(154,891)	1,388,159
Redeemable noncontrolling interests	—	—	—	3,864	3,864
STOCKHOLDERS' EQUITY	360,969	1,125,115	435,931	(632,174)	1,289,841
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,095,560	\$1,411,187	\$ 958,318	\$ (783,201)	\$2,681,864

<u>Condensed Consolidating Statement of Income for the three months ended June 30, 2011</u>	<u>Equity One, Inc.</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries (In thousands)</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
REVENUE:					
Minimum rent	\$ 7,798	\$ 32,075	\$ 27,523	\$ —	\$ 67,396
Expense recoveries	2,295	9,086	8,205	—	19,586
Percentage rent	10	299	351	—	660
Management and leasing services	—	24	617	—	641
Total revenue	<u>10,103</u>	<u>41,484</u>	<u>36,696</u>	<u>—</u>	<u>88,283</u>
EQUITY IN SUBSIDIARIES' EARNINGS	<u>27,709</u>	<u>—</u>	<u>—</u>	<u>(27,709)</u>	<u>—</u>
COSTS AND EXPENSES:					
Property operating	3,108	11,177	10,412	—	24,697
Rental property depreciation and amortization	1,852	10,677	12,277	30	24,836
General and administrative	9,824	2,108	1,479	(76)	13,335
Total costs and expenses	<u>14,784</u>	<u>23,962</u>	<u>24,168</u>	<u>(46)</u>	<u>62,868</u>
INCOME (LOSS) BEFORE OTHER INCOME AND EXPENSE, TAX AND DISCONTINUED OPERATIONS	<u>23,028</u>	<u>17,522</u>	<u>12,528</u>	<u>(27,663)</u>	<u>25,415</u>
OTHER INCOME AND EXPENSE:					
Investment income	7,227	11	11,568	(17,837)	969
Equity in income in unconsolidated joint ventures	—	—	177	—	177
Other income	14	11	16	—	41
Interest expense	(22,507)	(2,285)	(14,291)	17,837	(21,246)
Amortization of deferred financing fees	(505)	(15)	(42)	—	(562)
Gain on sale of real estate	3,604	318	684	—	4,606
Gain on extinguishment of debt	—	—	213	—	213
Other expense	—	(145)	—	—	(145)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND DISCONTINUED OPERATIONS	<u>10,861</u>	<u>15,417</u>	<u>10,853</u>	<u>(27,663)</u>	<u>9,468</u>
Income tax (provision) benefit of taxable REIT subsidiaries	—	(24)	577	—	553
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>10,861</u>	<u>15,393</u>	<u>11,430</u>	<u>(27,663)</u>	<u>10,021</u>
DISCONTINUED OPERATIONS:					
Operations of income producing properties sold or held for sale	(15)	18	387	—	390
Loss on disposal of income producing properties	—	(13)	—	—	(13)
Impairment loss on income producing properties held for sale	(1,277)	—	—	—	(1,277)
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	<u>(1,292)</u>	<u>5</u>	<u>387</u>	<u>—</u>	<u>(900)</u>
NET INCOME (LOSS)	<u>9,569</u>	<u>15,398</u>	<u>11,817</u>	<u>(27,663)</u>	<u>9,121</u>
Net income attributable to noncontrolling interests	(2,135)	—	—	—	(2,135)
NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY ONE, INC.	<u>\$ 7,434</u>	<u>\$ 15,398</u>	<u>\$ 11,817</u>	<u>\$ (27,663)</u>	<u>\$ 6,986</u>

<u>Condensed Consolidating Statement of Income for the three months ended June 30, 2010</u>	<u>Equity One, Inc.</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries (In thousands)</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
REVENUE:					
Minimum rent	\$ 7,866	\$ 31,943	\$ 14,923	\$ —	\$ 54,732
Expense recoveries	2,388	9,283	4,090	—	15,761
Percentage rent	50	200	63	—	313
Management and leasing services	—	18	381	—	399
Total revenue	<u>10,304</u>	<u>41,444</u>	<u>19,457</u>	<u>—</u>	<u>71,205</u>
EQUITY IN SUBSIDIARIES' EARNINGS	<u>17,730</u>	<u>—</u>	<u>—</u>	<u>(17,730)</u>	<u>—</u>
COSTS AND EXPENSES:					
Property operating	2,707	12,210	5,235	—	20,152
Rental property depreciation and amortization	1,848	9,169	5,729	9	16,755
General and administrative	10,223	916	676	(74)	11,741
Total costs and expenses	<u>14,778</u>	<u>22,295</u>	<u>11,640</u>	<u>(65)</u>	<u>48,648</u>
INCOME (LOSS) BEFORE OTHER INCOME AND EXPENSE, TAX AND DISCONTINUED OPERATIONS	<u>13,256</u>	<u>19,149</u>	<u>7,817</u>	<u>(17,665)</u>	<u>22,557</u>
OTHER INCOME AND EXPENSE:					
Investment income	3,265	7	5	(2,788)	489
Equity in loss in unconsolidated joint ventures	—	—	(42)	—	(42)
Other income	88	—	15	—	103
Interest expense	(11,433)	(3,091)	(7,599)	2,788	(19,335)
Amortization of deferred financing fees	(389)	(33)	(32)	—	(454)
Gain on sale of real estate	—	—	440	—	440
Gain on extinguishment of debt	—	5	58	—	63
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND DISCONTINUED OPERATIONS	<u>4,787</u>	<u>16,037</u>	<u>662</u>	<u>(17,665)</u>	<u>3,821</u>
Income tax benefit of taxable REIT subsidiaries	—	192	734	—	926
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>4,787</u>	<u>16,229</u>	<u>1,396</u>	<u>(17,665)</u>	<u>4,747</u>
DISCONTINUED OPERATIONS:					
Operations of income producing properties sold or held for sale	(16)	—	40	—	24
Gain on disposal of income producing properties	1,458	—	—	—	1,458
INCOME FROM DISCONTINUED OPERATIONS	<u>1,442</u>	<u>—</u>	<u>40</u>	<u>—</u>	<u>1,482</u>
NET INCOME (LOSS)	<u>6,229</u>	<u>16,229</u>	<u>1,436</u>	<u>(17,665)</u>	<u>6,229</u>
Net loss attributable to noncontrolling interests	10	—	—	—	10
NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY ONE, INC.	<u>\$ 6,239</u>	<u>\$ 16,229</u>	<u>\$ 1,436</u>	<u>\$ (17,665)</u>	<u>\$ 6,239</u>

<u>Condensed Consolidating Statement of Income for the six months ended June 30, 2011</u>	<u>Equity One, Inc.</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries (In thousands)</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
REVENUE:					
Minimum rent	\$ 15,692	\$ 63,853	\$ 53,249	\$ —	\$ 132,794
Expense recoveries	4,337	18,108	15,522	—	37,967
Percentage rent	97	873	1,156	—	2,126
Management and leasing services	—	48	1,059	—	1,107
Total revenue	<u>20,126</u>	<u>82,882</u>	<u>70,986</u>	<u>—</u>	<u>173,994</u>
EQUITY IN SUBSIDIARIES' EARNINGS	<u>56,261</u>	<u>—</u>	<u>—</u>	<u>(56,261)</u>	<u>—</u>
COSTS AND EXPENSES:					
Property operating	6,153	22,859	20,169	—	49,181
Rental property depreciation and amortization	3,660	19,547	24,635	48	47,890
General and administrative	16,847	4,382	4,294	(211)	25,312
Total costs and expenses	<u>26,660</u>	<u>46,788</u>	<u>49,098</u>	<u>(163)</u>	<u>122,383</u>
INCOME (LOSS) BEFORE OTHER INCOME AND EXPENSE, TAX AND DISCONTINUED OPERATIONS	49,727	36,094	21,888	(56,098)	51,611
OTHER INCOME (LOSS) AND EXPENSE:					
Investment income	10,005	12	22,390	(30,745)	1,662
Equity in income in unconsolidated joint ventures	—	—	811	—	811
Other income	133	21	16	—	170
Interest expense	(44,216)	(5,000)	(24,061)	30,745	(42,532)
Amortization of deferred financing fees	(985)	(34)	(86)	—	(1,105)
Gain on bargain purchase	30,561	—	—	—	30,561
Gain on sale of real estate	3,604	318	684	—	4,606
Gain on extinguishment of debt	—	42	213	—	255
Other expense	—	(145)	—	—	(145)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND DISCONTINUED OPERATIONS	48,829	31,308	21,855	(56,098)	45,894
Income tax (provision) benefit of taxable REIT subsidiaries	—	(32)	1,150	—	1,118
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>48,829</u>	<u>31,276</u>	<u>23,005</u>	<u>(56,098)</u>	<u>47,012</u>
DISCONTINUED OPERATIONS:					
Operations of income producing properties sold or held for sale	(20)	41	753	—	774
Loss on disposal of income producing properties	—	(13)	—	—	(13)
Impairment loss on income producing properties held for sale	(1,277)	—	—	—	(1,277)
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	<u>(1,297)</u>	<u>28</u>	<u>753</u>	<u>—</u>	<u>(516)</u>
NET INCOME (LOSS)	47,532	31,304	23,758	(56,098)	46,496
Net income attributable to noncontrolling interests	(4,517)	—	—	—	(4,517)
NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY ONE, INC.	<u>\$ 43,015</u>	<u>\$ 31,304</u>	<u>\$ 23,758</u>	<u>\$ (56,098)</u>	<u>\$ 41,979</u>

<u>Condensed Consolidating Statement of Income for the six months ended June 30, 2010</u>	<u>Equity One, Inc.</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries (In thousands)</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
REVENUE:					
Minimum rent	\$ 15,633	\$ 62,899	\$ 29,896	\$ —	\$ 108,428
Expense recoveries	4,507	17,967	8,126	—	30,600
Percentage rent	115	801	442	—	1,358
Management and leasing services	(2)	33	741	—	772
Total revenue	<u>20,253</u>	<u>81,700</u>	<u>39,205</u>	<u>—</u>	<u>141,158</u>
EQUITY IN SUBSIDIARIES' EARNINGS	<u>33,398</u>	<u>—</u>	<u>—</u>	<u>(33,398)</u>	<u>—</u>
COSTS AND EXPENSES:					
Property operating	5,095	23,512	11,305	—	39,912
Rental property depreciation and amortization	3,656	17,665	11,711	11	33,043
General and administrative	18,088	1,872	1,975	(107)	21,828
Total costs and expenses	<u>26,839</u>	<u>43,049</u>	<u>24,991</u>	<u>(96)</u>	<u>94,783</u>
INCOME (LOSS) BEFORE OTHER INCOME AND EXPENSE, TAX AND DISCONTINUED OPERATIONS	<u>26,812</u>	<u>38,651</u>	<u>14,214</u>	<u>(33,302)</u>	<u>46,375</u>
OTHER INCOME AND EXPENSE:					
Investment income	6,176	35	13	(5,576)	648
Equity in loss in unconsolidated joint ventures	—	—	(82)	—	(82)
Other income	131	—	25	—	156
Interest expense	(22,821)	(6,815)	(15,183)	5,576	(39,243)
Amortization of deferred financing fees	(772)	(64)	(64)	—	(900)
Gain on sale of real estate	—	—	440	—	440
Gain on extinguishment of debt	—	5	58	—	63
INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND DISCONTINUED OPERATIONS	<u>9,526</u>	<u>31,812</u>	<u>(579)</u>	<u>(33,302)</u>	<u>7,457</u>
Income tax benefit of taxable REIT subsidiaries	—	367	1,627	—	1,994
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>9,526</u>	<u>32,179</u>	<u>1,048</u>	<u>(33,302)</u>	<u>9,451</u>
DISCONTINUED OPERATIONS:					
Operations of income producing properties sold or held for sale	40	72	3	—	115
Gain on disposal of income producing properties	1,458	—	—	—	1,458
INCOME FROM DISCONTINUED OPERATIONS	<u>1,498</u>	<u>72</u>	<u>3</u>	<u>—</u>	<u>1,573</u>
NET INCOME (LOSS)	<u>11,024</u>	<u>32,251</u>	<u>1,051</u>	<u>(33,302)</u>	<u>11,024</u>
Net income attributable to noncontrolling interests	647	—	—	—	647
NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY ONE, INC.	<u>\$ 11,671</u>	<u>\$ 32,251</u>	<u>\$ 1,051</u>	<u>\$ (33,302)</u>	<u>\$ 11,671</u>

<u>Condensed Consolidating Statement of Cash Flows for the six months ended June 30, 2011</u>	<u>Equity One, Inc.</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidated</u>
		(In thousands)		
Net cash provided by operating activities	\$ 20,742	\$ 32,448	\$ 6,132	\$ 59,322
INVESTING ACTIVITIES:				
Acquisition of income producing properties	(55,000)	—	(45,472)	(100,472)
Additions to income producing properties	(1,428)	(3,758)	(1,474)	(6,660)
Additions to construction in progress	(849)	(6,585)	(69)	(7,503)
Proceeds from sale of real estate and rental properties	2,346	11,705	28,001	42,052
Increase in deferred leasing costs and lease intangibles	(831)	(2,101)	(599)	(3,531)
Investment in joint ventures	—	—	(9,769)	(9,769)
Investment in consolidated subsidiary	—	—	(242)	(242)
Advances to subsidiaries, net	(123,639)	1,375	122,264	—
Net cash (used in) provided by investing activities	<u>(179,401)</u>	<u>636</u>	<u>92,640</u>	<u>(86,125)</u>
FINANCING ACTIVITIES:				
Repayments of mortgage notes payable	(878)	(33,084)	(109,421)	(143,383)
Net borrowings under revolving credit facilities	63,500	—	—	63,500
Proceeds from issuance of common stock	116,617	—	—	116,617
Payment of deferred financing costs	(101)	—	(151)	(252)
Stock issuance costs	(982)	—	—	(982)
Dividends paid to stockholders	(48,743)	—	—	(48,743)
Distributions to noncontrolling interests	(4,523)	—	—	(4,523)
Net cash provided by (used in) financing activities	<u>124,890</u>	<u>(33,084)</u>	<u>(109,572)</u>	<u>(17,766)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS				
EQUIVALENTS	(33,769)	—	(10,800)	(44,569)
CASH AND CASH EQUIVALENTS OBTAINED THROUGH ACQUISITION				
	—	—	23,412	23,412
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD				
	<u>38,333</u>	<u>—</u>	<u>—</u>	<u>38,333</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD				
	<u>\$ 4,564</u>	<u>\$ —</u>	<u>\$ 12,612</u>	<u>\$ 17,176</u>

<u>Condensed Consolidating Statement of Cash Flows for the six months ended June 30, 2010</u>	<u>Equity One, Inc.</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidated</u>
		(In thousands)		
Net cash (used in) provided by operating activities	\$ (67,238)	\$ 68,392	\$ 37,739	\$ 38,893
INVESTING ACTIVITIES:				
Acquisition of income producing properties	—	(33,278)	—	(33,278)
Additions to income producing properties	(1,116)	(1,237)	(1,482)	(3,835)
Additions to and purchases of land held for development	(1,337)	—	—	(1,337)
Additions to construction in progress	(3,651)	(664)	(934)	(5,249)
Proceeds from sale of real estate and rental properties	1,861	572	—	2,433
Increase in deferred leasing costs and lease intangibles	(687)	(562)	(635)	(1,884)
Investment in joint ventures	—	—	(1,000)	(1,000)
Investment in consolidated subsidiary	(12,635)	—	—	(12,635)
Advances to joint ventures	—	—	(118)	(118)
Proceeds from sale of securities	841	—	—	841
Advances to subsidiaries, net	10,520	14,768	(25,288)	—
Net cash used in investing activities	(6,204)	(20,401)	(29,457)	(56,062)
FINANCING ACTIVITIES:				
Repayments of mortgage notes payable	(12,103)	(47,792)	(8,282)	(68,177)
Proceeds from issuance of common stock	99,959	—	—	99,959
Payment of deferred financing costs	(228)	(199)	—	(427)
Stock issuance costs	(1,292)	—	—	(1,292)
Dividends paid to stockholders	(40,694)	—	—	(40,694)
Net cash provided by (used in) financing activities	45,642	(47,991)	(8,282)	(10,631)
NET DECREASE IN CASH AND CASH EQUIVALENTS				
	(27,800)	—	—	(27,800)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD				
	47,970	—	—	47,970
CASH AND CASH EQUIVALENTS, END OF THE PERIOD				
	<u>\$ 20,170</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 20,170</u>

17. Subsequent Events

Pursuant to the Subsequent Events Topic of the FASB ASC, we have evaluated subsequent events and transactions that occurred after our June 30, 2011 unaudited condensed consolidated balance sheet date for potential recognition or disclosure in our condensed consolidated financial statements.

On July 5, 2011, we acquired a \$45.0 million junior mezzanine loan which is indirectly secured by a portfolio of seven California shopping centers owned by a subsidiary of Centro Properties Group, which was recently acquired by an affiliate of Blackstone Real Estate Partners IV, L.P. The junior mezzanine loan matures on July 9, 2013, subject to the borrower's ability to extend the maturity date for three additional one-year periods, and bears interest at a minimum rate of 9.21% per annum. The seven shopping centers which indirectly secure our loan also serve as collateral for a \$120.0 million senior mortgage loan and a \$60.0 million senior mezzanine loan and had an appraised value of approximately \$272.0 million at the time we acquired our interest in the junior mezzanine loan. The junior mezzanine loan is subordinated in right of payment to the senior mezzanine loan and senior mortgage loan.

On July 14, 2011, we acquired Ralph's Circle Center, a 59,837 square foot shopping center located in Long Beach, California, for approximately \$15.0 million. The purchase price was funded by cash on hand and borrowings under our line of credit.

On July 29, 2011, we sold two operating properties for proceeds of \$868,000.

On August 1, 2011, we repaid, without penalty, \$25.6 million in mortgage loans with interest rates ranging between 7.13% and 7.25%.

On August 2, 2011, one of the bridge loans to the Vestar joint venture was repaid to us in full, resulting in proceeds of \$22.3 million, including related accrued interest.

Subsequent to June 30, 2011, we entered into contracts to acquire fee and joint venture interests in four retail centers for an aggregate purchase price of approximately \$199.5 million, which includes the assumption of mortgages in the aggregate amount of approximately \$91.4 million. Each of these acquisitions is past its due diligence period and, as such, deposits of \$6.4 million are non-refundable except as otherwise provided in those contracts. We expect to fund the remaining purchase consideration using availability under our line of credit, proceeds from asset dispositions and from cash on hand.

As of August 5, 2011, we have entered into contracts, some of which are still in the due diligence review period, to sell interests in commercial real estate for an aggregate sale price of \$30.3 million, which amount includes \$19.7 million of mortgage loans to be assumed by the purchasers. Additionally, one of our unconsolidated joint ventures has entered into a contract for the sale of a property for which we expect to receive proceeds of approximately \$29.8 million.

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

The following discussion should be read in conjunction with the condensed consolidated interim financial statements and notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on March 11, 2011.

Unless the context otherwise requires, all references to "we", "our", "us", and "Equity One" in this report refer collectively to Equity One, Inc. and its consolidated subsidiaries.

Overview

We are a real estate investment trust, or REIT, that owns, manages, acquires, develops and redevelops neighborhood and community shopping centers. Our principal business objective is to maximize long-term stockholder value by generating sustainable cash flow growth and increasing the long-term value of our real estate assets. To achieve our objective, we lease and manage our shopping centers primarily with experienced, in-house personnel. We acquire neighborhood or community shopping centers that either have leading anchor tenants or contain a mix of tenants that reflect the shopping needs of the communities they serve. We also develop and redevelop shopping centers on a tenant-driven basis, leveraging either existing tenant relationships or geographic and demographic knowledge while seeking to minimize risks associated with land development.

As of June 30, 2011, our consolidated property portfolio comprised 199 properties totaling approximately 20.7 million square feet of gross leasable area, or GLA, and included 176 shopping centers, ten development or redevelopment properties, eight non-retail properties and five land parcels. As of June 30, 2011, our core portfolio was 90.2% leased and included national, regional and local tenants. Additionally, we had joint venture interests in 16 shopping centers, three office buildings and one apartment building totaling approximately 3.2 million square feet.

On January 4, 2011, we closed the acquisition of C&C (US) No. 1, Inc., which we refer to as CapCo, through a joint venture with Liberty International Holdings Limited, or LIH. At the time of acquisition, CapCo owned a portfolio of 13 properties in California totaling approximately 2.6 million square feet of GLA. A more complete description of this acquisition is provided below in the section entitled "Business Combination" and in Note 3 to the condensed consolidated financial statements included in this report.

The economic downturn of recent years continues to affect our business. While economic conditions in many of our markets have modestly improved, macro-economic challenges, such as low consumer confidence, high unemployment and reduced consumer spending, have adversely affected many retailers and continue to adversely affect the retail sales of many regional and local tenants in some of our markets. While most of our shopping centers are anchored by supermarkets, drug stores or other necessity-oriented retailers, which are less susceptible to economic cycles, other tenants in our shopping centers, particularly smaller shop tenants, have been particularly vulnerable as they have faced both declining sales and reduced access to capital. As a result, some tenants have requested rent adjustments and abatements, while other tenants have not been able to continue in business at all. We believe the fact that 67.6% of our shopping centers are supermarket-anchored serves as a competitive advantage because supermarket sales have not been as affected as the sales of many other classes of retailers, and our supermarkets continue to draw traffic to these centers.

We have responded to these challenges by undertaking intensive leasing efforts, negotiating reductions in certain recoverable expenses from our vendors, and making case-by-case assessments of rent relief based on the financial and operating strength of our tenants. These macro-economic trends have made it more difficult for us to achieve our objectives of growing our business through internal rent increases, re-cycling capital from lower-tiered assets into higher quality properties, and growing our asset management business. To the extent that challenging economic conditions persist we would expect small shop leasing, in particular, to continue to be very difficult. We anticipate that our core portfolio occupancy and same center net operating income for the fiscal year 2011 will either remain relatively flat or experience a modest increase as compared to fiscal year 2010.

While the leasing environment remains challenging for small shop tenants, the overall retail real estate market continues to improve. This improvement can be seen in valuations for assets in primary and secondary markets. Based on market conditions, we may seek to create additional relationships with institutional partners that have lower costs of capital and look to acquire assets in our primary markets. In addition, in order to improve the quality of our overall portfolio we may dispose of assets in these markets and reinvest the proceeds in higher quality assets in our primary markets.

Notwithstanding the difficult operating environment, the execution of our business strategy during the second quarter of 2011 resulted in:

- The sale of 6.0 million shares of our common stock in an underwritten public offering and concurrent private placement that raised net proceeds of approximately \$115.7 million;
- the prepayment of approximately \$6.7 million principal amount in mortgage debt;
- the sale of one operating property and one land parcel for aggregate net proceeds of approximately \$2.5 million resulting in a net gain of \$46,000;
- the sale of two operating properties to a newly formed joint venture with New York Common Retirement Fund, or CRF, for aggregate net proceeds of \$17.9 million resulting in a gain of approximately \$943,000;
- the recognition of a gain of approximately \$3.6 million, related to additional consideration earned on the sale of an outparcel to our GRI-EQY I, LLC joint venture;
- the acquisition of a fee interest in a retail condominium in New York City with 56,870 square feet of GLA for \$55.0 million;
- the signing of 55 new leases totaling 154,460 square feet at an average rental rate of \$16.93 per square foot as compared to the prior in-place average rent of \$17.94 per square foot in 2010, on a same space basis; and
- the renewal and extension of 132 leases totaling 415,729 square feet at an average rental rate of \$16.90 per square foot as compared to the prior in-place average rent of \$17.39 per square foot, on a same space basis.

In addition to the above, for the six months ended June 30, 2011, the execution of our business strategy resulted in:

- the acquisition of a controlling interest in CapCo;
- the acquisition of two shopping centers located in Long Beach, California representing an aggregate of approximately 212,000 square feet of GLA for an aggregate purchase price of \$57.0 million and the assumption of a mortgage with a principal balance of approximately \$11.5 million;
- the prepayment of approximately \$37.7 million in mortgage debt; and
- a slight decline in our core shopping center portfolio occupancy rate to 90.2% at June 30, 2011 from 90.3% at December 31, 2010.

Results of Operations

We derive substantially all of our revenues from rents received from tenants under existing leases on each of our properties. These revenues include fixed base rents, recoveries of expenses that we have incurred and pass through to the individual tenants and percentage rents that are based on specified percentages of tenants' revenues, in each case as provided in the particular leases.

Our primary cash expenses consist of our property operating expenses, which include: real estate taxes; repairs and maintenance; management expenses; insurance; utilities; general and administrative expenses, which include payroll, office expenses, professional fees, acquisition costs and other administrative expenses; and interest expense, primarily on mortgage debt, unsecured senior debt and revolving credit facilities. In addition, we incur substantial non-cash charges for depreciation and amortization on our properties. We also capitalize certain expenses, such as taxes, interest and salaries related to properties under development or redevelopment until the property is ready for its intended use.

Our consolidated results of operations often are not comparable from period to period due to the impact of property acquisitions, dispositions, developments and redevelopments. The results of operations of any acquired property are included in our financial statements as of the date of its acquisition. A large portion of the changes in our statement of income line items is related to these changes in our property portfolio. In addition, non-cash impairment charges may also affect comparability.

Comparison of the three months ended June 30, 2011 to 2010

The following summarizes certain line items from our unaudited condensed consolidated statements of income which we believe are important in understanding our operations and/or those items which have significantly changed in the three months ended June 30, 2011 as compared to the same period in 2010:

	Three Months Ended June 30,		
	2011	2010	% Change
	(Restated)	(In thousands)	(Restated)
Total revenue	\$88,283	\$ 71,205	24.0%
Property operating expenses	24,697	20,152	22.6%
Rental property depreciation and amortization	24,836	16,755	48.2%
General and administrative expenses	13,335	11,741	13.6%
Investment income	969	489	98.2%
Equity in income (loss) in unconsolidated joint ventures	177	(42)	521.4%
Interest expense	21,246	19,335	9.9%
Gain on sale of real estate	4,606	440	946.8%
Income tax benefit of taxable REIT subsidiaries	553	926	(40.3)%
(Loss) income from discontinued operations	(900)	1,482	(160.7)%
Net income	9,121	6,229	46.4%
Net income attributable to Equity One, Inc.	6,986	6,239	12.0%

Total revenue increased by \$17.1 million, or 24.0%, to \$88.3 million in 2011 from \$71.2 million in 2010. The increase was primarily attributable to the following:

- an increase of approximately \$17.1 million associated with properties acquired in 2010 and 2011;
- an increase of approximately \$242,000 associated with management, leasing and asset management services provided to our joint ventures, primarily due to an acquisition fee of approximately \$197,000 related to our new joint venture with CRF; and
- an increase in same property expense recoveries of \$214,000 due to higher average recovery rates; offset by
- a net decrease of approximately \$509,000 related to various development and redevelopment projects which were income producing in 2010 but were under construction in 2011.

Property operating expenses increased by \$4.5 million, or 22.6%, to \$24.7 million in 2011 from \$20.2 million in 2010. The increase primarily consisted of the following:

- an increase of approximately \$5.1 million associated with properties acquired in 2011 and 2010; offset by
- a decrease of approximately \$340,000 in same property operating expenses due primarily to lower common area maintenance costs.

Rental property depreciation and amortization increased by \$8.1 million, or 48.2%, to \$24.8 million for 2011 from \$16.8 million in 2010. The increase was primarily related to the following:

- an increase of approximately \$7.3 million related to depreciation on properties acquired in 2011 and 2010; and
- an increase of approximately \$1.6 million related to accelerated depreciation recognized in 2011 related to tenant vacancies; offset by
- a decrease of approximately \$902,000 related to tenant related assets becoming fully amortized.

General and administrative expenses increased by \$1.6 million, or 13.6%, to \$13.3 million for 2011 from \$11.7 million in 2010. The increase in 2011 was primarily related to the following:

- an increase of approximately \$1.0 million due to additional personnel related costs, in part, related to the acquisition of CapCo and compensation expense related to a long-term share based incentive plan established in the first quarter of 2011 for certain executives;
- an increase of approximately \$416,000 in acquisition costs primarily related to our 2011 acquisitions and costs associated with entering into the new joint venture with CRF; and
- an increase of approximately \$384,000 in office operating expenses primarily due to higher office rent and technical support attributable to our new offices in New York and California; offset by
- a decrease of approximately \$317,000, primarily related to legal, consulting and other costs incurred in 2010 associated with activities to acquire the remaining ordinary shares of DIM.

Investment income increased by \$480,000, or 98.2%, to \$969,000 for 2011 from \$489,000 in 2010. The increase was primarily related to interest earned on bridge loans made to unconsolidated joint ventures.

We recorded income in unconsolidated joint ventures of approximately \$177,000 in 2011 compared to a net loss of \$42,000 for the same period in 2010. The increase is primarily due to new unconsolidated joint ventures formed in December 2010 and the unconsolidated joint ventures acquired as part of the CapCo transaction.

Interest expense increased by \$1.9 million, or 9.9%, to \$21.2 million for 2011 from \$19.3 million in 2010. The increase is primarily attributable to the following:

- an increase of approximately \$1.4 million primarily associated with mortgage assumptions in 2010 and 2011 related to acquisitions; and
- an increase of approximately \$512,000 associated with higher interest expense due to a higher average balance outstanding under our line of credit and higher bank fees primarily due to our line of credit expansion.

We recorded a gain on sale of real estate of \$4.6 million for 2011 compared to \$440,000 in 2010. The current period gain is attributable to additional consideration earned related to the sale of an outparcel to our GRI-EQY I, LLC joint venture, resulting in a gain of approximately \$3.6 million, and the sale of two operating properties to a newly formed joint venture with CRF, resulting in a gain of approximately \$943,000. The 2010 gain is primarily related to the sale of one land parcel to an unrelated third party.

We recorded net income tax benefits during the three months ended June 30, 2011 and 2010 of approximately \$553,000 and \$926,000, respectively. The decrease in tax benefit was primarily due to an increase in the net income from our taxable REIT subsidiaries.

For the three months ended June 30, 2011, discontinued operations resulted in a net loss of \$900,000 compared to net income of \$1.5 million for the three months ended June 30, 2010. The current period loss is primarily due to a \$1.3 million impairment loss recorded on a property reclassified from income producing to held for sale. The impairment was the result of remeasuring the property to fair value less anticipated costs to sell. The offsetting net income of approximately \$377,000 is primarily related to the results of operations of properties designated as held for sale. During the same period in 2010, we sold two outparcels generating a gain of approximately \$1.5 million.

As a result of the foregoing, net income increased by \$2.9 million, to \$9.1 million in the second quarter of 2011 compared to net income of \$6.2 million in the second quarter of 2010. Net income attributable to Equity One, Inc. increased by \$747,000 to \$7.0 million in the second quarter of 2011 compared to \$6.2 million in the second quarter of 2010.

Comparison of the six months ended June 30, 2011 to 2010

The following summarizes certain line items from our unaudited condensed consolidated statements of income which we believe are important in understanding our operations and/or those items which have significantly changed in the six months ended June 30, 2011 as compared to the same period in 2010:

	Six Months Ended June 30,		% Change
	2011	2010	
	(Restated)	(In thousands)	(Restated)
Total revenue	\$173,994	\$ 141,158	23.3%
Property operating expenses	49,181	39,912	23.2%
Rental property depreciation and amortization	47,890	33,043	44.9%
General and administrative expenses	25,312	21,828	16.0%
Investment income	1,662	648	156.5%
Equity in income (loss) in unconsolidated joint ventures	811	(82)	1089.0%
Interest expense	42,532	39,243	8.4%
Gain on bargain purchase	30,561	—	N/M*
Gain on sale of real estate	4,606	440	946.8%
Gain on extinguishment of debt	255	63	304.8%
Income tax benefit of taxable REIT subsidiaries	1,118	1,994	(43.9)%
(Loss) income from discontinued operations	(516)	1,573	(132.8)%
Net income	46,496	11,024	321.8%
Net income attributable to Equity One, Inc.	41,979	11,671	259.7%

* N/M = not meaningful

Total revenue increased by \$32.8 million, or 23.3%, to \$174.0 million in 2011 from \$141.2 million in 2010. The increase is primarily attributable to the following:

- an increase of approximately \$33.2 million associated with properties acquired in 2010 and 2011;
- an increase of approximately \$335,000 associated with management, leasing and asset management services provided to our joint ventures, including an acquisition fee of approximately \$197,000 related to our new joint venture with CRF; and
- an increase of approximately \$200,000 in same property revenue primarily due to rent commencements for several large tenants; offset by
- a decrease of approximately \$1.0 million related to various development and redevelopment projects which were income producing in 2010 but were under construction in 2011.

Property operating expenses increased by \$9.3 million, or 23.2%, to \$49.2 million in 2011 from \$39.9 million in 2010. The increase primarily consists of the following:

- an increase of approximately \$9.7 million associated with properties acquired in 2011 and 2010;
- an increase of approximately \$430,000 related to higher snow removal costs; and
- an increase in bad debt expense of approximately \$250,000; offset by
- a decrease of approximately \$500,000 in same-property expenses due to cost reduction efforts and the timing of parking lot and roof repairs, which may be incurred in future periods;
- a decrease of approximately \$350,000 in external property management fees as we assumed the property management responsibilities of the DIM portfolio in the second quarter of 2010; and
- a decrease of approximately \$197,000 resulting from an increase in capitalized insurance and taxes on development properties.

Rental property depreciation and amortization increased by \$14.8 million, or 44.9%, to \$47.9 million for 2011 from \$33.0 million in 2010. The increase was primarily related to the following:

- an increase of approximately \$14.5 million related to depreciation on properties acquired in 2011 and 2010; and
- an increase of approximately \$1.6 million related to accelerated depreciation recognized in 2011 related to tenant vacancies; offset by
- a decrease of approximately \$1.3 million related to tenant related assets becoming fully amortized.

General and administrative expenses increased by \$3.5 million, or 16.0%, to \$25.3 million for 2011 from \$21.8 million in 2010. The increase in 2011 was primarily related to the following:

- an increase of approximately \$1.5 million in acquisition costs primarily related to our 2011 acquisitions and costs associated with entering into the new joint venture with CRF;
- an increase of approximately \$1.4 million due to additional personnel related, in part, to the acquisition of CapCo and compensation expense related to a long term share based incentive plan established in the first quarter of 2011 for certain of our executives;
- an increase of approximately \$855,000 in severance costs primarily related to former CapCo employees; and
- an increase of approximately \$512,000 in office operating expenses, primarily due to higher office rent and technical support attributable to our new offices in New York and California; offset by
- a decrease of approximately \$1.0 million, primarily related to legal, consulting and other costs incurred in 2010 associated with activities to acquire the remaining ordinary shares of DIM.

Investment income increased by \$1.0 million, or 156.5%, to \$1.7 million for 2011 from \$648,000 in 2010. The increase was primarily related to interest earned on bridge loans made to unconsolidated joint ventures.

We recorded income in unconsolidated joint ventures of approximately \$811,000 in 2011 compared to a net loss of \$82,000 for the same period in 2010. The increase is primarily due to new unconsolidated joint ventures formed in December 2010 and the unconsolidated joint ventures acquired as part of the CapCo transaction.

Interest expense increased by \$3.3 million, or 8.4%, to \$42.5 million for 2011 from \$39.2 million in 2010. The increase is primarily attributable to the following:

- an increase of approximately \$2.5 million primarily associated with mortgage assumptions in 2010 and 2011 related to acquisitions; and
- an increase of approximately \$813,000 associated with higher interest expense due to a higher average balance outstanding under our line of credit and higher bank fees primarily due to our line of credit expansion.

We recorded a gain on sale of real estate of \$4.6 million for 2011 and \$440,000 in 2010. The current period gain is attributable to additional consideration earned related to the sale of an outparcel to our GRI-EQY I, LLC joint venture resulting in a gain of approximately \$3.6 million and the sale of two operating properties to a newly formed joint venture with CRF resulting in a gain of approximately \$943,000. The 2010 gain is primarily related to the sale of one land parcel to an unrelated third party.

The gain on bargain purchase of approximately \$30.6 million recognized in 2011 was generated from our acquisition of a controlling interest in CapCo. No comparable amounts are included in 2010. The gain represents the difference between the fair value of the net assets acquired of \$310.4 million and the fair value of the consideration paid of \$279.8 million. For a more complete description of the fair value measurement see Note 3 to the condensed consolidated financial statements included in this report.

We recorded net income tax benefits during the six months ended June 30, 2011 and 2010 of approximately \$1.1 million and \$2.0 million, respectively. The decrease in tax benefit was primarily due to a decrease in the net loss from DIM and lower tax benefits recognized from our taxable REIT subsidiaries.

For the six months ended June 30, 2011, discontinued operations resulted in a net loss of \$516,000 compared to net income of \$1.6 million for the six months ended June 30, 2010. The current period loss is primarily due to a \$1.3 million impairment loss recorded on a property reclassified from income producing to held for sale. The impairment was the result of remeasuring the property to fair value less anticipated costs to sell. The offsetting net income of approximately \$761,000 is primarily related to the results of operations of properties designated as held for sale. During the same period in 2010, we sold two outparcels generating a gain of approximately \$1.5 million.

As a result of the foregoing, net income increased by \$35.5 million, to \$46.5 million in the first half of 2011, compared to net income of \$11.0 million in the first half of 2010. Net income attributable to Equity One, Inc. increased by \$30.3 million to \$42.0 million in the first half of 2011, compared to \$11.7 million in the first half of 2010.

Funds From Operations

We believe Funds from Operations (“FFO”) (when combined with the primary GAAP presentations) is a useful supplemental measure of our operating performance that is a recognized metric used extensively by the real estate industry and, in particular, REITs. The National Association of Real Estate Investment Trusts (“NAREIT”) stated in its April 2002 White Paper on Funds from Operations, “Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminish predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves”.

FFO, as defined by NAREIT, is “net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable real property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures”. It states further that “adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis”. We believe that financial analysts, investors and stockholders are better served by the presentation of comparable period operating results generated from our FFO measure. Our method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

FFO is presented to assist investors in analyzing our operating performance. FFO (i) does not represent cash flow from operations as defined by GAAP, (ii) is not indicative of cash available to fund all cash flow needs, including the ability to make distributions, (iii) is not an alternative to cash flow as a measure of liquidity, and (iv) should not be considered as an alternative to net income (which is determined in accordance with GAAP) for purposes of evaluating our operating performance.

The following table illustrates the calculation of FFO for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)			
	(Restated)		(Restated)	
Net income attributable to Equity One, Inc.	\$ 6,986	\$ 6,239	\$41,979	\$11,671
Adjustments:				
Rental property depreciation and amortization, including discontinued operations, net of noncontrolling interest	24,781	16,564	47,774	31,661
Net adjustment for unvested shares and noncontrolling interest(1)	2,108	—	4,523	—
Pro rata share of real estate depreciation from unconsolidated joint ventures	835	298	1,440	607
(Gain)/loss on disposal of depreciable assets	(930)	—	(930)	—
Funds from operations	\$33,780	\$23,101	\$94,786	\$43,939

(1) Includes net effect of: (a) distributions paid with respect to unvested shares held by a noncontrolling interest; and (b) an adjustment to compensate for the rounding of the individual calculations.

The following table reflects the reconciliation of FFO per diluted share to earnings per diluted share, the most directly comparable GAAP measure, for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011 (Restated)	2010	2011 (Restated)	2010
Earnings per diluted share attributable to Equity One, Inc.	\$ 0.06	\$ 0.07	\$ 0.38	\$ 0.13
Adjustments:				
Rental property depreciation and amortization, including discontinued operations, net of noncontrolling interest	0.21	0.18	0.40	0.35
Net adjustment for unvested shares and noncontrolling interest(1)	0.01	—	0.02	—
Pro rata share of real estate depreciation from unconsolidated joint ventures	0.01	—	0.01	0.01
(Gain)/Loss on disposal of depreciable assets	(0.01)	—	(0.01)	—
Funds from operations per diluted share(2)	<u>\$ 0.28</u>	<u>\$ 0.25</u>	<u>\$ 0.80</u>	<u>\$ 0.49</u>

- (1) Includes net effect of: (a) distributions paid with respect to unvested shares held by a noncontrolling interest; and (b) an adjustment to compensate for the rounding of the individual calculations.
- (2) The weighted average diluted shares for the three months ended June 30, 2011 used in the above FFO calculations are higher than the GAAP diluted weighted average shares by the 11.4 million units held by LIH which are convertible into our common stock. These convertible units are not included in the diluted weighted average share count for GAAP purposes because their inclusion would be antidilutive, but are included in the above calculation as their effect is dilutive for purposes of calculating FFO.

Critical Accounting Policies

Our 2010 Annual Report on Form 10-K contains a description of our critical accounting policies, including initial adoption of accounting policies, revenue recognition and accounts receivable, recognition of gains from the sale of real estate, business acquisitions, real estate acquisitions, real estate properties and development assets, long lived assets, investments in unconsolidated joint ventures, securities, goodwill, share based compensation and incentive awards, and discontinued operations. For the three and six month periods ended June 30, 2011, there were no material changes to these policies.

Liquidity and Capital Resources

Due to the nature of our business, we typically generate significant amounts of cash from operations; however, the cash generated from operations is primarily paid to our stockholders in the form of dividends. Our status as a REIT requires that we distribute 90% of our REIT taxable income (including net capital gains) each year, as defined in the Code.

Short-term liquidity requirements

Our short-term liquidity requirements consist primarily of normal recurring operating expenses, regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities), recurring company expenditures, such as general and administrative expenses, non-recurring company expenditures (such as tenant improvements and redevelopments) and dividends to common stockholders. We have satisfied these requirements principally through cash generated from operations or from financing and investing activities.

As of June 30, 2011, we had approximately \$17.2 million of cash and cash equivalents available. At that date, we had two revolving credit facilities providing for borrowings of up to \$415.0 million of which \$256.0 million was available to be drawn, subject to covenants contained in those facilities which may otherwise limit borrowings. As of June 30, 2011, we had drawn \$63.5 million under our \$400.0 million credit facility, which bore interest at 1.59% at such date and expires on October 17, 2011, and had no borrowings under our \$15.0 million credit facility. We are currently in negotiation with our lenders to refinance our \$400.0 million credit facility. In the event we are unable to refinance our \$400.0 million credit facility by October 17, 2011, we have the ability to extend the existing maturity date to October 17, 2012.

For the remainder of 2011, we have approximately \$106.2 million in debt maturities in addition to normal recurring principal amortization payments. Our available cash and revolving credit facilities will be used to fund our debt maturities as well as prospective acquisitions and our normal operating expenses. Additionally, we are actively searching for acquisition and joint venture opportunities that may require additional capital and/or liquidity. Subsequent to June 30, 2011, we entered into contracts to acquire fee and joint venture interests in four retail centers for an aggregate purchase price of approximately \$199.5 million, which includes the assumption of mortgages in the aggregate amount of approximately \$91.4 million. Each of these acquisitions is past its due diligence period and, as such, deposits of \$6.4 million are non-refundable except as otherwise provided in those contracts. We expect to fund the remaining purchase consideration using availability under our line of credit, proceeds from asset dispositions and from cash on hand.

Long-term liquidity requirements

Our long-term capital requirements consist primarily of maturities of various long-term debts, development and redevelopment costs and the costs related to growing our business, including acquisitions.

An important component of our growth strategy is the redevelopment of properties within our portfolio and development of new shopping centers. At June 30, 2011, we had invested approximately \$44.9 million in development or redevelopment projects at various stages of completion and anticipate that these projects will require an additional \$152.7 million to complete based on our current plans and estimates.

Historically, we have funded these requirements through a combination of sources which were available to us, including additional and replacement secured and unsecured borrowings, proceeds from the issuance of additional debt or equity securities, capital from institutional partners that desire to form joint venture relationships with us and proceeds from property dispositions.

2011 liquidity events

While our availability under our lines of credit are sufficient to operate our business for the remainder of 2011, if we identify acquisition opportunities that meet our investment objectives, we may need to raise additional capital.

While there is no assurance that we will be able to raise additional capital in the amounts or at the prices we desire, we believe we have positioned our balance sheet in a manner that facilitates our capital raising plans. The following is a summary of our financing and investing activities completed during the six months ended June 30, 2011:

- We acquired three operating properties for an aggregate purchase price of \$112.0 million and assumed a mortgage with a principal balance of approximately \$11.5 million;
- We assumed mortgage debt having an aggregate principal balance of approximately \$172.0 million and a weighted average interest rate of 6.18% related to the CapCo acquisition;
- In May 2011, we issued and sold 5.0 million shares of our common stock in an underwritten public offering and approximately 1.0 million shares of our common stock, in a concurrent private placement to an affiliate of our largest stockholder, Gazit-Globe, Ltd., raising aggregate net proceeds of approximately \$115.7 million;
- We prepaid, without penalty, approximately \$6.7 million in mortgage debt prior to maturity; and
- We had net borrowings of \$63.5 million under our unsecured revolving line of credit.

The following significant financing and investing activities have taken place subsequent to June 30, 2011 : (i) we acquired a \$45.0 million junior mezzanine loan which is indirectly secured by a portfolio of seven California shopping centers owned by a subsidiary of Centro Properties Group; (ii) we acquired Ralph's Circle Center in Long Beach, California for \$15.0 million; (iii) we repaid, without penalty, \$25.6 million in mortgage loans; (iv) we sold two operating properties for proceeds of approximately \$867,000; and (v) one of the bridge loans made to the Vestar joint venture was repaid to us in full, resulting in proceeds of \$22.3 million, including related accrued interest.

As of August 5, 2011, we have entered into contracts, some of which are still in the due diligence review period, to sell interests in commercial real estate for an aggregate sale price of \$30.3 million, which amount includes \$19.7 million of mortgage loans to be assumed by the purchasers. Additionally, one of our unconsolidated joint ventures has entered into a contract for the sale of a property for which we expect to receive proceeds of approximately \$29.8 million.

Summary Cash Flows. The following summary discussion of our cash flows is based on the condensed consolidated statements of cash flows and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below:

	Six Months Ended June 30, (In thousands)		
	2011	2010	Increase (Decrease)
Net cash provided by operating activities	\$ 59,322	\$ 38,893	\$ 20,429
Net cash used in investing activities	\$(86,125)	\$(56,062)	\$(30,063)
Net cash used in financing activities	\$(17,766)	\$(10,631)	\$ (7,135)

Our principal source of operating cash flow is cash generated from our rental properties. Our properties provide a relatively consistent stream of rental income that provides us with resources to fund operating expenses, general and administrative expenses, debt service, and quarterly dividends. Net cash provided by operating activities totaled approximately \$59.3 million for the six months ended June 30, 2011 compared to approximately \$38.9 million in the 2010 period. The increase is attributable to an increase in cash from operations, an increase in investment income, and an increase in cash provided by operating assets and liabilities, primarily accounts receivable and other assets.

Net cash used in investing activities was approximately \$86.1 million for the six months ended June 30, 2011 compared with approximately \$56.1 million used in investing activities during the six months ended June 30, 2010. Investing activities during the current period consisted primarily of acquisitions of operating properties of \$100.5 million, \$42.0 million of proceeds related to the sale of real estate and rental properties and additions to investment in rental property, land and construction of \$14.2 million. In the prior year period, cash flow used in investing activities was primarily related to investments in consolidated subsidiaries and real estate ventures of \$13.8 million, and acquisitions of operating properties, and additions to investment in rental property, land and construction of \$43.7 million.

Net cash used in financing activities totaled approximately \$17.8 million for the six months ended June 30, 2011 compared with approximately \$10.6 million used in financing activities for the same period in 2010. The largest cash outflow for the 2011 period related to repayments of \$143.4 million in principal amount of mortgage debt and the payment of \$48.7 million in dividends. This use of cash was partially offset by the net cash proceeds of approximately \$115.7 million from our equity offerings and net borrowings under revolving credit facilities of \$63.5 million. In the prior year, cash used by financing activities was mainly attributable to repayments of \$68.2 million principal amount of mortgage debt and the payment of \$40.7 million in dividends, offset in part by net proceeds of approximately \$100.0 million from our 2010 equity offerings.

Future Contractual Obligations. The following table sets forth certain information regarding future contractual obligations, excluding interest, as of June 30, 2011:

<u>Contractual Obligations</u>	<u>Payments due by period</u>				
	<u>Total</u>	<u>Less than 1 year(1)</u>	<u>1-2 years (In thousands)</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Mortgage notes payable:					
Scheduled amortization	\$ 125,684	\$ 7,957	\$ 30,534	\$ 32,989	\$ 54,204
Balloon payments	532,589	34,756	143,644	248,423	105,766
Total mortgage obligations	658,273	42,713	174,178	281,412	159,970
Unsecured revolving credit facilities	63,500	63,500		—	—
Unsecured senior notes	691,136	—	10,000	462,735	218,401
Total unsecured obligations	754,636	63,500	10,000	462,735	218,401
Operating leases	7,370	398	1,458	2,046	3,468
Construction commitments	152,700	152,700	—	—	—
Purchase contracts	15,000	15,000	—	—	—
Total contractual obligations	<u>\$1,587,979</u>	<u>\$274,311</u>	<u>\$185,636</u>	<u>\$746,193</u>	<u>\$381,839</u>

(1) Amount represents balance of obligation for the remainder of the 2011 year.

Our debt level could subject us to various risks, including the risk that our cash flow will be insufficient to meet required payments of principal and interest, and the risk that the resulting reduction in financial flexibility could inhibit our ability to develop or improve our rental properties, withstand downturns in our rental income, or take advantage of business opportunities. In addition, because we

currently anticipate that only a portion of the principal of our indebtedness will be repaid prior to maturity, it is expected that it will be necessary to refinance the majority of our debt. Accordingly, there is a risk that such indebtedness will not be able to be refinanced or that the terms of any refinancing will not be as favorable as the terms of our current indebtedness.

Off-Balance Sheet Arrangements

Joint Ventures: We consolidate entities in which we own less than a 100% equity interest if we have a controlling interest or are the primary beneficiary in a variable-interest entity, as defined in the Consolidation Topic of the FASB ASC. From time to time, we may have off-balance-sheet joint ventures and other unconsolidated arrangements with varying structures.

As of June 30, 2011, we have investments in ten unconsolidated joint ventures with our effective ownership interests ranging from 8.6% to 68%. All ten of these joint ventures have mortgage indebtedness. We exercise significant influence over, but do not control, these entities and therefore they are presently accounted for using the equity method of accounting. For a more complete description of our joint ventures see note 4 to the condensed consolidated financial statements included in this report. At June 30, 2011, the aggregate carrying amount of debt, including both our and our partners' share, incurred by these ventures was approximately \$327.9 million (of which our proportionate share is approximately \$94.4 million). Although we have not guaranteed the debt of these joint ventures, we have agreed to customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) on certain of the loans.

One of our joint ventures is a special purpose entity which holds a 58% controlling interest in the Senator office building located in Sacramento, California. At the time of our acquisition, the special purpose entity and the other co-owners in the Senator building were in default of a \$38.3 million loan secured by the property. The loan is non-recourse, other than for certain customary carve-outs which are also guaranteed by Equity One Realty & Management CA, Inc., the entity formerly known as Capital & Counties USA, Inc. As a result of the continuing default, the lender and special servicer have accelerated the loan and have commenced foreclosure proceedings with respect to our interest in the property. It has been our intention since the date we acquired our interest in the property to cooperate with the special servicer and lender to relinquish title. Accordingly, we recently consented to the lender's appointment of a receiver to manage the property and we have agreed not to obstruct the lender and special servicer's efforts to consummate the foreclosure. Although we and the other co-owners continued to hold title to the property as of June 30, 2011, we have assigned no value to our interest in this special purpose entity. There can be no assurance that we will be able to resolve this matter in a short period of time.

Reconsideration events could cause us to consolidate these joint ventures and partnerships in the future. We evaluate reconsideration events as we become aware of them. Some triggers to be considered are additional contributions required by each partner and each partners' ability to make those contributions. Under certain of these circumstances, we may purchase our partner's interest. Our unconsolidated real estate joint ventures are with entities which appear sufficiently stable to meet their capital requirements; however, if market conditions worsen and our partners are unable to meet their commitments, there is a possibility we may have to consolidate these entities.

Contingencies

Letters of Credit: As of June 30, 2011, we have pledged letters of credit having an aggregate face amount of \$3.8 million as additional security for financial and other obligations. Substantially all of our letters of credit are issued under our revolving credit facilities.

Construction Commitments: As of June 30, 2011, we have entered into construction commitments and have outstanding obligations to fund approximately \$152.7 million, based on current plans and estimates, in order to complete current development and redevelopment projects. These obligations, comprising principally construction contracts, are generally due as the work is performed and are expected to be financed by funds available under our credit facilities and available cash.

Operating Lease Obligations: We are obligated under non-cancellable operating leases for office space, equipment rentals and ground leases on certain of our properties totaling \$7.4 million.

Non-Recourse Debt Guarantees: Under the terms of certain non-recourse mortgage loans, we could, under specific circumstances, be responsible for portions of the mortgage indebtedness in connection with certain customary non-recourse carve-out provisions, such as environmental conditions, misuse of funds, and material misrepresentations. In management's judgment, it would be unlikely for us to incur any material liability under these guarantees that will have a material adverse effect on our financial condition, results of operations, or cash flows.

Non-Refundable Deposits: As of June 30, 2011, we have entered into contracts to purchase \$15.0 million in commercial real estate. These contracts have past the due diligence period and the \$4.0 million in deposits are non-refundable, except as otherwise provided in the contract.

Other than the obligations described above and items disclosed in the Contractual Obligations Table, we have no off-balance sheet arrangements as of June 30, 2011 that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, capital expenditures or capital resources.

Business Combination

On January 4, 2011, we acquired a controlling ownership interest in CapCo through a joint venture with LIH. At the time of acquisition, CapCo, which was previously wholly-owned by LIH, owned a portfolio of 13 properties in California totaling approximately 2.6 million square feet of GLA, including Serramonte Shopping Center in Daly City, Plaza Escuela in Walnut Creek, The Willows Shopping Center in Concord, 222 Sutter Street in San Francisco, and The Marketplace Shopping Center in Davis. LIH is a subsidiary of Capital Shopping Centres Group PLC, a United Kingdom real estate investment trust. The results of CapCo's operations have been included in our condensed consolidated financial statements from the date of acquisition. Our initial fair value purchase price allocations may be refined as additional information regarding fair values of the assets acquired and liabilities assumed is received.

At the closing of the transaction, LIH contributed all of the outstanding shares of CapCo's common stock to the joint venture in exchange for Class A joint venture shares, representing an approximate 22% interest in the joint venture and we contributed a shared appreciation promissory note to the joint venture in the amount of \$600.0 million and an additional \$83.4 million in exchange for an approximate 78% interest in the joint venture, which consists of approximately 70% of the Class A joint venture shares and all of the Class B joint venture shares. The initial Class B joint venture shares are entitled to a preferred return of 1.5% per quarter. The actual payment of such amounts is limited to the extent that there is available cash remaining in any given period (subsequent to the payment of dividend equivalents to the holders of the Class A joint venture shares). Any remaining available cash after the preferred return is paid in a given period may be distributed, in an elective distribution, among the Class A and Class B joint venture shares, with 83.333% attributable to the Class B joint venture shares and 16.667% to the Class A joint venture shares on a pro-rata basis among the holders of such shares. Based on the respective ownership percentages held by Equity One and LIH, this allocation provides for, to the extent distributions in excess of available cash are distributed to the joint venture partners in the attribution of approximately 95% of such residual amounts to Equity One and the remaining 5% to LIH.

In addition, at the closing, LIH transferred and assigned to us an outstanding promissory note of CapCo in the amount of \$67.0 million in exchange for 4.1 million shares of our common stock and one share of our newly-established Class A common stock, that (i) is convertible into 10,000 shares of our common stock in certain circumstances and (ii) subject to certain limitations, entitles LIH to voting rights with respect to a number of shares of our common stock determined with reference to the number of joint venture shares held by LIH from time to time. Effective June 29, 2011, the one share of Class A common stock was converted in accordance with its terms into 10,000 shares of our common stock.

The joint venture shares received by LIH are redeemable for cash or, solely at our option, our common stock on a one-for-one basis, subject to certain adjustments. LIH's ability to participate in earnings of CapCo is limited to their right to receive distributions payable on their joint venture shares. These non-elective distributions are designed to mirror dividends paid on our common stock. As such, earnings attributable to the noncontrolling interest as reflected in our condensed consolidated statements of income will be limited to distributions made to LIH on their joint venture shares. Distributions to LIH during the three and six months ended June 30, 2011 were \$2.1 million and \$4.5 million, respectively, which were equivalent to the per share dividends declared on our common stock, except for certain pro-rations as stipulated by the terms of the transaction.

In connection with the CapCo transaction, we also executed an Equityholders Agreement, among us, Capital Shopping Centres plc ("CSC"), LIH, Gazit-Globe Ltd. ("Gazit"), MGN (USA) Inc., Gazit (1995), Inc., MGN America, LLC, Silver Maple (2001), Inc. and Ficus, Inc. Pursuant to the Equityholders Agreement, we increased the size of our board of directors by one seat, effective January 4, 2011, and appointed a designee of CSC to the board. Subject to its continuing to hold a minimum number of shares of our common stock (on a fully diluted basis), CSC has the right to nominate one candidate for election to our board of directors at each annual meeting of our stockholders at which directors are elected.

Also in connection with the CapCo transaction, we amended our charter to (i) reclassify and designate one authorized but unissued share of our common stock as one share of a newly-established class of our capital stock, denominated as Class A Common Stock, (ii) add foreign ownership limits and (iii) modify the existing ownership limits for individuals (as defined for purposes of certain provisions of the Internal Revenue Code of 1986, as amended, or the Code). The foreign ownership limits provide that, subject to certain exceptions, a foreign person may not acquire, beneficially or constructively, any shares of our capital stock, if immediately following the acquisition of such shares, the fair market value of the shares of our capital stock owned, directly and indirectly, by all foreign persons (other than LIH and its affiliates) would comprise 29% or more of the fair market value of the issued and outstanding shares of our capital stock.

The ownership limits for individuals in our charter were amended to provide that, subject to exceptions, no person (as such term is defined in our charter), other than an individual (who will be subject to the more restrictive limits discussed below), may own, or be deemed to own, directly and by virtue of certain constructive ownership provisions of the Code, more than 9.9% in value of the outstanding shares of our capital stock in the aggregate or more than 9.9%, in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock, and no individual may own, or be deemed to own, directly and by virtue of certain constructive ownership provisions of the Code, more than 5.0% in value of the outstanding shares of our capital stock in the aggregate or more than 5.0%, in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock.

Under our charter, the board of directors may increase the ownership limits. In addition, our board of directors, in its sole discretion, may exempt a person from the ownership limits and may establish a new limit applicable to that person if that person submits to the board of directors certain representations and undertakings, including representations that demonstrate, to the reasonable satisfaction of the board, that such ownership would not jeopardize our status as a REIT under the Code.

Equity

In May 2011, we completed an underwritten public offering and concurrent private placement of 6.0 million shares of our common stock at a price to the public and in the private placement of \$19.42 per share. In the concurrent private placement, an aggregate of 1.0 million shares were purchased by MGN (USA), Inc. an affiliate of our largest stockholder, Gazit-Globe, Ltd., which may be deemed to be controlled by Chaim Katzman, the Chairman of our Board of Directors. The offerings generated proceeds to us of approximately \$115.7 million, net of stock issuance costs and underwriting discounts of \$858,000. We used the proceeds for general business purposes, which included investment opportunities and debt reduction.

Also, in connection with the CapCo acquisition on January 4, 2011, LIH transferred and assigned to us an outstanding promissory note of CapCo in the amount of \$67.0 million in exchange for 4.1 million shares of our common stock and one share of a newly-established class of our capital stock, Class A common stock, that (i) is convertible into 10,000 shares of our common stock in certain circumstances, and (ii) subject to certain limitations, entitles LIH to voting rights with respect to a number of shares of our common stock determined with reference to the number of joint venture shares held by LIH from time to time. Effective June 29, 2011, the one share of Class A common stock was converted in accordance with its terms into 10,000 shares of our common stock.

Capital Recycling Initiatives

As part of our strategy to upgrade and diversify our portfolio and recycle our existing capital, we evaluate opportunities to sell assets or otherwise contribute assets to existing or new joint ventures with third parties. If the market values of these assets are below their carrying values, it is possible that the disposition or contribution of these assets could result in impairments or other losses. Depending on the prevailing market conditions and historical carrying values, these impairments and losses could be material.

Environmental Matters

We are subject to numerous environmental laws and regulations. The operation of dry cleaning and gas station facilities at our shopping centers are the principal environmental concerns. We require that the tenants who operate these facilities do so in material compliance with current laws and regulations and we have established procedures to monitor their operations. Where available, we have applied and been accepted into state sponsored environmental programs. Several properties in the portfolio will require or are currently undergoing varying levels of environmental remediation; however, we have environmental insurance policies covering most of our properties which limits our exposure to some of these conditions. We currently have one significant environmental remediation liability on our consolidated balance sheet related to our Westbury land acquisition. The capitalized cost associated with this acquisition comprised the purchase price plus a preliminary estimate of the cost of environmental remediation for the site of \$5.9 million, which was based on a range provided by third party environmental consultants. This range varied from \$5.9 million to \$8.4

million on an undiscounted basis, with no amount being more likely than any other at the time the study was performed. During the three and six months ended June 30, 2011, we paid approximately \$1.9 million and \$3.8 million related to the environmental remediation for the site. Management believes that the ultimate disposition of currently known environmental matters will not have a material effect on our financial position, liquidity or operations.

Future Capital Requirements

We believe, based on currently proposed plans and assumptions relating to our operations, that our existing financial arrangements, together with cash generated from our operations, cash on hand and our short-term investments will be sufficient to satisfy our cash requirements for a period of at least twelve months. In the event that our plans change, our assumptions change or prove to be inaccurate or cash flows from operations or amounts available under existing financing arrangements prove to be insufficient to fund our debt maturities, pay our dividends, fund expansion and development efforts or to the extent we discover suitable acquisition targets the purchase price of which exceeds our existing liquidity, we would be required to seek additional sources of financing. Additional financing may not be available on acceptable terms or at all, and any future equity financing could be dilutive to existing stockholders. If adequate funds are not available, our business operations could be materially adversely affected. See Part I -Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010.

Distributions

We believe that we currently qualify and intend to continue to qualify as a REIT under the Internal Revenue Code. As a REIT, we are allowed to reduce taxable income by all or a portion of our distributions to stockholders. As distributions have exceeded taxable income, no provision for federal income taxes has been made. While we intend to continue to pay dividends to our stockholders, we also will reserve such amounts of cash flow as we consider necessary for the proper maintenance and improvement of our real estate and other corporate purposes, while still maintaining our qualification as a REIT.

Inflation and Economic Condition Considerations

Most of our leases contain provisions designed to partially mitigate any adverse impact of inflation. Although inflation has been low in recent periods and has had a minimal impact on the performance of our shopping centers, there is more recent data suggesting that inflation may be a greater concern in the future given economic conditions and governmental fiscal policy. Most of our leases require the tenant to pay its share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation. A small number of our leases also include clauses enabling us to receive percentage rents based on a tenant's gross sales above predetermined levels, which sales generally increase as prices rise, or escalation clauses which are typically related to increases in the Consumer Price Index or similar inflation indices.

Cautionary Statement Relating to Forward Looking Statements

Certain matters discussed in this Quarterly Report on Form 10-Q contain "forward-looking statements" for purposes of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations and are not guarantees of future performance.

All statements other than statements of historical facts are forward-looking statements, and can be identified by the use of forward-looking terminology such as "may," "will," "might," "would," "expect," "anticipate," "estimate," "could," "should," "believe," "intend," "project," "forecast," "target," "plan," or "continue" or the negative of these words or other variations or comparable terminology, are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected. Because these statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution you not to place undue reliance on those statements, which speak only as of the date of this report.

Among the factors that could cause actual results to differ materially are:

- general economic conditions, competition and the supply of and demand for shopping center properties in our markets;
- risks that tenants will not remain in occupancy or pay rent, or pay reduced rent due to declines in their businesses;

- interest rate levels and the availability of financing;
- potential environmental liability and other risks associated with the ownership, development and acquisition of shopping center properties;
- greater than anticipated construction or operating costs;
- inflationary, deflationary and other general economic trends;
- the effects of hurricanes, earthquakes and other natural disasters;
- management's ability to successfully combine and integrate the properties and operations of separate companies that we have acquired in the past or may acquire in the future;
- impairment charges related to changes in market values of our properties as well as those related to our disposition activity; and
- other risks detailed from time to time in the reports filed by us with the Securities and Exchange Commission.

Except for ongoing obligations to disclose material information as required by the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest Rate Risk

The primary market risk to which we have exposure is interest rate risk. Changes in interest rates can affect our net income and cash flows. As changes in market conditions occur and interest rates increase or decrease, interest expense on the variable component of our debt will move in the same direction. We intend to utilize variable-rate indebtedness available under our unsecured revolving credit facilities in order to initially fund future acquisitions, development costs and other operating needs. With respect to our fixed rate mortgage notes and senior unsecured notes, changes in interest rates generally do not affect our interest expense as these notes are at fixed rates for extended terms. Because we have the intent to hold our existing fixed-rate debt either to maturity or until the sale of the associated property, these fixed-rate notes pose an interest rate risk to our results of operations and our working capital position only upon the refinancing of that indebtedness. Our possible risk is from increases in long-term interest rates that may occur as this may increase our cost of refinancing maturing fixed-rate debt. In addition, we may incur prepayment penalties or defeasance costs when prepaying or defeasing secured debt.

As of June 30, 2011, we had \$63.5 million of floating rate debt outstanding under our unsecured revolving line of credit. Our unsecured revolving line of credit bears interest at our option at (i) applicable LIBOR plus 1.00% to 1.70%, depending on the credit ratings of our senior unsecured notes, or (ii) daily LIBOR plus 3.0%. Considering the total outstanding balance of \$63.5 million, a 1% change in interest rates would result in an impact to income before taxes of approximately \$192,000 per year.

The fair value of our fixed-rate debt is \$1.45 billion as of June 30, 2011, which includes the mortgage notes and fixed-rate portion of the senior unsecured notes payable. If interest rates increase by 1%, the fair value of our total fixed-rate debt would decrease by approximately \$56.5 million. If interest rates decrease by 1%, the fair value of our total outstanding debt would increase by approximately \$59.6 million. This assumes that our total outstanding fixed-rate debt remains at approximately \$1.3 billion, the balance as of June 30, 2011.

Hedging Activities

As of June 30, 2011, we had not entered into any hedging activity.

Other Market Risks

As of June 30, 2011, we had no material exposure to any other market risks (including foreign currency exchange risk, commodity price risk or equity price risk).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC'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 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 Rule 13a-15(b) under the Exchange Act, prior to the filing of our original Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer had concluded that, as of June 30, 2011, our disclosure controls and procedures were effective at the reasonable assurance level. Subsequently, during the fourth quarter of the year ending December 31, 2011, we identified the material weakness in our internal control over financial reporting described below. As a result of this discovery, our Chief Executive Officer and Chief Financial Officer have now concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of as of June 30, 2011.

As a result of the error and related restatement described in Note 1 to the condensed consolidated financial statements included in this report, we identified a material weakness in our internal control over financial reporting related to the misapplication of fair value accounting guidance in valuing the joint venture shares issued to Liberty International Holdings Limited ("LIH") as part of our acquisition of C&C (US) No. 1, Inc. Our material weakness resulted from the improper application of a discount to the value of the joint venture shares issued to LIH (the "Class A Shares"), which decreased the value of the related equity-classified noncontrolling interest and correspondingly increased the amount of the non-cash gain on bargain purchase recognized during the three months ended March 31, 2011 and the six months ended June 30, 2011 by approximately \$26.4 million. As a result, a restatement of our previously issued condensed consolidated financial statements for such periods is required.

In management's opinion, the remedial actions described below relating to the material weakness in our internal control over financial reporting address the ineffectiveness of our disclosure controls and procedures.

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

To remediate the material weakness described above, we implemented the following measures:

- increased our understanding, including through self-study by relevant management personnel, of the application of fair value accounting guidance as promulgated in the Financial Accounting Standards Board's Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820"), including as it applies to the valuation of securities;
- increased the level of review and validation of work performed by management and outside advisors to confirm the proper application of fair value accounting guidance; and
- implemented a control to require a formal discussion and conclusion by relevant management personnel as to whether two outside advisors should be utilized when a non-routine material, complex transaction requires an element of recording and reporting at fair value, as defined in ASC 820.

The remediation of the above-mentioned material weakness is complete. Management is committed to a strong internal control environment and believes that these remediation actions represent significant improvements. Management will continue to assess the effectiveness of its remediation in connection with management's future evaluations of internal control over financial reporting.

Changes in Internal Control over Financial Reporting

Except as otherwise discussed above, there have been no changes in our internal controls over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Neither we nor our properties are subject to any material litigation. We and our properties may be subject to routine litigation and administrative proceedings arising in the ordinary course of business which, collectively, are not expected to have a material adverse affect on our business, financial condition, results of operations, or our cash flows.

ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for the year ended December 31, 2010, Part I -Item 1A, Risk Factors, describes important risk factors that could cause our actual operating results to differ materially from those indicated or suggested by forward-looking statements made in this Form 10-Q or presented elsewhere by management from time to time. There have been no material changes in such risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits:

- 10.1 Equity One, Inc. Amended and Restated 2000 Executive Incentive Plan, as amended and restated through May 2, 2011 (filed as Exhibit 10.1 to Equity One's Current Report on Form 8-K filed with the SEC on May 4, 2011 and incorporated by reference herein).
- 10.2 Common Stock Purchase Agreement, dated as of May 18, 2011, between Equity One, Inc. and MGN (USA), Inc. (filed as Exhibit 10.1 to Equity One's Current Report on Form 8-K filed with the SEC on May 24, 2011 and incorporated by reference herein).
- 10.3 Registration Rights Agreement, dated as of May 18, 2011, by and among Equity One, Inc. and MGN (USA), Inc. (filed as Exhibit 10.2 to Equity One's Current Report on Form 8-K filed with the SEC on May 24, 2011 and incorporated by reference herein).
- 12.1 Ratio of Earnings to Fixed Charges
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS++ XBRL Instance Document
- 101.SCH++ XBRL Taxonomy Extension Schema
- 101.CAL++ XBRL Taxonomy Extension Calculation Linkbase
- 101.LAB++ XBRL Extension Labels Linkbase
- 101.PRE++ XBRL Taxonomy Extension Presentation Linkbase
- 101.DEF++ XBRL Taxonomy Extension Definition Linkbase

++ Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections

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: November 23, 2011

EQUITY ONE, INC.

/s/ Mark Langer

Mark Langer

Executive

Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: November 23, 2011

/s/ Angela F. Valdes

Angela F. Valdes

Vice President and Chief Accounting Officer

(Principal Accounting Officer)

INDEX TO EXHIBITS

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Ratio of Earnings to Fixed Charges

(in thousands, except ratio computation)

	<u>Six months ended</u>	<u>Year ended December 31,</u>				
	<u>June 30, 2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>(Restated)</u>					
Pretax income from continuing operations before adjustment for noncontrolling interest	\$ 45,894	\$17,854	\$ 68,080	\$34,930	\$ 48,052	\$ 53,337
Adjustments:						
Equity in (income) loss in unconsolidated joint ventures	(811)	116	88	(108)	0	(204)
Fixed charges	45,223	82,090	76,400	65,413	71,985	62,846
Distributed income of equity investees	513	346	371	171	0	3,308
Capitalized interest	(1,028)	(2,244)	(1,430)	(2,934)	(3,194)	(5,820)
Earnings as Defined	<u>\$ 89,791</u>	<u>\$98,162</u>	<u>\$143,509</u>	<u>\$97,472</u>	<u>\$116,843</u>	<u>\$113,467</u>
Fixed Charges:						
Interest expense	\$ 42,424	\$75,104	\$ 71,229	\$62,752	\$ 69,209	\$ 58,812
Capitalized interest	1,028	2,244	1,430	2,934	3,194	5,820
Amortization (accretion) of debt discounts (premiums), net	666	2,818	2,221	(1,902)	(2,102)	(3,289)
Amortization of loan fees	1,105	1,924	1,520	1,629	1,684	1,503
Fixed Charges	<u>\$ 45,223</u>	<u>\$82,090</u>	<u>\$ 76,400</u>	<u>\$65,413</u>	<u>\$ 71,985</u>	<u>\$ 62,846</u>
Ratio of earnings to Fixed Charges	<u>1.99</u>	<u>1.20</u>	<u>1.88</u>	<u>1.49</u>	<u>1.62</u>	<u>1.81</u>

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jeffrey S. Olson, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Equity One, Inc.;
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 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 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 fiscal 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: November 23, 2011

/s/ Jeffrey S. Olson
Jeffrey S. Olson
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Mark Langer, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Equity One, Inc.;
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 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 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 fiscal 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: November 23, 2011

/s/ Mark Langer

Mark Langer

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section § 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Equity One, Inc. (the "Company") hereby certify, to such officers' knowledge, that:

- (i) The accompanying Quarterly Report on Form 10-Q/A for the period ended June 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 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.

November 23, 2011

/s/ Jeffrey S. Olson
Jeffrey S. Olson
Chief Executive Officer
(Principal Executive Officer)

November 23, 2011

/s/ Mark Langer
Mark Langer
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).