

KITE REALTY GROUP TRUST  
Form 10-Q  
November 10, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-32268

Kite Realty Group Trust  
(Exact Name of Registrant as Specified in its Charter)

Maryland  
(State or other jurisdiction of incorporation  
or organization)

11-3715772  
(IRS Employer Identification No.)

30 S. Meridian Street, Suite 1100  
Indianapolis, Indiana  
(Address of principal executive offices)

46204  
(Zip code)

Telephone: (317) 577-5600  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

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 during

Edgar Filing: KITE REALTY GROUP TRUST - Form 10-Q

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 the definitions 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

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of Common Shares outstanding as of November 3, 2014 was 83,471,205 (\$.01 par value)

---

KITE REALTY GROUP TRUST

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

	Page
Part I.	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Consolidated Financial Statements (Unaudited)</u>
	<u>Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013</u> 3
	<u>Consolidated Statements of Operations and Comprehensive (Loss) Income for the Three and Nine Months Ended September 30, 2014 and 2013</u> 4
	<u>Consolidated Statement of Shareholders' Equity for the Nine Months Ended September 30, 2014</u> 5
	<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013</u> 6
	<u>Notes to Consolidated Financial Statements</u> 7
Item 2.	<u>Cautionary Note About Forward-Looking Statements</u> 23
	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 24
Item 3.	<u>Quantitative and Qualitative Disclosure about Market Risk</u> 41
Item 4.	<u>Controls and Procedures</u> 41
Part II.	<u>OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u> 41
Item 1A.	<u>Risk Factors</u> 41
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 41
Item 3.	<u>Defaults upon Senior Securities</u> 41
	3

Item 4.	<u>Mine Safety Disclosures</u>	42
Item 5.	<u>Other Information</u>	42
Item 6.	<u>Exhibits</u>	42
	<u>SIGNATURES</u>	45

## Part I. FINANCIAL INFORMATION

## Item 1.

Kite Realty Group Trust  
Consolidated Balance Sheets  
(Unaudited)

(in thousands, except share and per share data)

	September 30, 2014	December 31, 2013
Assets:		
Investment properties, at cost	\$3,673,832	\$1,877,057
Less: accumulated depreciation	(282,693 )	(232,580 )
	3,391,139	1,644,477
Cash and cash equivalents	31,213	18,134
Tenant receivables, including accrued straight-line rent of \$17,304 and \$14,490, respectively, net of allowance for uncollectible accounts	38,623	24,768
Other receivables	4,891	4,567
Restricted cash and escrow deposits	17,442	11,046
Deferred costs, net	168,237	56,388
Prepaid and other assets	12,073	4,547
Assets held for sale (see Note 10)	344,466	-
Total Assets	\$4,008,084	\$1,763,927
Liabilities and Equity:		
Mortgage and other indebtedness	\$1,556,496	\$857,144
Accounts payable and accrued expenses	87,823	61,437
Deferred revenue and other liabilities	141,865	44,313
Liabilities held for sale (see Note 10)	176,636	-
Total Liabilities	1,962,820	962,894
Commitments and contingencies		
Limited partners' interests in Operating Partnership and other redeemable noncontrolling interests	109,554	43,928
Equity:		
Kite Realty Group Trust Shareholders' Equity:		
Preferred Shares, \$.01 par value, 40,000,000 shares authorized, 4,100,000 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively, with a liquidation value of \$102,500	102,500	102,500
Common Shares, \$.01 par value, 450,000,000 shares authorized, 83,459,618 shares and 32,706,554 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	835	327
Additional paid in capital and other	2,059,063	822,507
Accumulated other comprehensive income	1,151	1,353

Edgar Filing: KITE REALTY GROUP TRUST - Form 10-Q

Accumulated deficit	(231,203 )	(173,130 )
Total Kite Realty Group Trust Shareholders' Equity	1,932,346	753,557
Noncontrolling Interests	3,364	3,548
Total Equity	1,935,710	757,105
Total Liabilities and Equity	\$4,008,084	\$1,763,927

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

Kite Realty Group Trust  
Consolidated Statements of Operations and Comprehensive (Loss) Income  
(Unaudited)  
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>Revenue:</b>				
Minimum rent	\$69,033	\$23,726	\$131,515	\$66,859
Tenant reimbursements	17,605	6,258	35,083	17,351
Other property related revenue	1,938	2,569	5,481	9,300
<b>Total revenue</b>	<b>88,576</b>	<b>32,553</b>	<b>172,079</b>	<b>93,510</b>
<b>Expenses:</b>				
Property operating	11,850	5,449	26,057	15,582
Real estate taxes	10,632	3,724	20,048	10,685
General, administrative, and other	3,939	2,115	9,358	6,069
Merger and acquisition costs	19,088	153	26,849	567
Depreciation and amortization	44,383	15,374	81,559	40,566
<b>Total expenses</b>	<b>89,892</b>	<b>26,815</b>	<b>163,871</b>	<b>73,469</b>
<b>Operating (loss) income</b>	<b>(1,316 )</b>	<b>5,738</b>	<b>8,208</b>	<b>20,041</b>
Interest expense	(15,386 )	(7,541 )	(30,291 )	(20,812 )
Income tax expense of taxable REIT subsidiary	(14 )	(31 )	(37 )	(107 )
Other expense	(13 )	(47 )	(119 )	(39 )
<b>Loss from continuing operations</b>	<b>(16,729 )</b>	<b>(1,881 )</b>	<b>(22,239 )</b>	<b>(917 )</b>
<b>Discontinued operations:</b>				
Discontinued operations	—	1,394	—	604
Impairment charge	—	—	—	(5,371 )
Non-cash gain on debt extinguishment	—	1,242	—	1,242
Gain on sale of operating property, net	—	486	3,199	486
<b>Income (loss) from discontinued operations</b>	<b>—</b>	<b>3,122</b>	<b>3,199</b>	<b>(3,039 )</b>
<b>(Loss) income before gain on sale of operating properties, net</b>	<b>(16,729 )</b>	<b>1,241</b>	<b>(19,040 )</b>	<b>(3,956 )</b>
Gain on sale of operating properties, net	2,749	—	6,336	—
<b>Consolidated net (loss) income</b>	<b>(13,980 )</b>	<b>1,241</b>	<b>(12,704 )</b>	<b>(3,956 )</b>
Net (income) loss attributable to noncontrolling interests	(304 )	15	(224 )	651
<b>Net (loss) income attributable to Kite Realty Group Trust</b>	<b>\$(14,284 )</b>	<b>\$1,256</b>	<b>\$(12,928 )</b>	<b>\$(3,305 )</b>
Dividends on preferred shares	(2,114 )	(2,114 )	(6,342 )	(6,342 )
<b>Net loss attributable to common shareholders</b>	<b>\$(16,398 )</b>	<b>\$(858 )</b>	<b>\$(19,270 )</b>	<b>\$(9,647 )</b>
<b>Net loss per common share - basic &amp; diluted:</b>				
Loss from continuing operations attributable to Kite Realty				
Group Trust common shareholders	\$(0.20 )	\$(0.16 )	\$(0.45 )	\$(0.31 )
Income (loss) from discontinued operations attributable	0.00	0.12	0.06	(0.13 )

Edgar Filing: KITE REALTY GROUP TRUST - Form 10-Q

to Kite Realty Group Trust common shareholders				
Net loss attributable to Kite Realty Group Trust common shareholders	\$ (0.20 )	\$ (0.04 )	\$ (0.39 )	\$ (0.44 )
Weighted average common shares outstanding - basic and diluted	83,455,900	23,450,974	49,884,469	21,906,686
Dividends declared per common share	\$0.26	\$0.24	\$0.76	\$0.72
Net loss attributable to Kite Realty Group Trust common shareholders:				
Loss from continuing operations	\$ (16,398 )	\$ (3,772 )	\$ (22,366 )	\$ (6,824 )
Income (loss) from discontinued operations	—	2,914	3,096	(2,823 )
Net loss attributable to Kite Realty Group Trust common shareholders	\$ (16,398 )	\$ (858 )	\$ (19,270 )	\$ (9,647 )
Consolidated net (loss) income	\$ (13,980 )	\$ 1,241	\$ (12,704 )	\$ (3,956 )
Change in fair value of derivatives	2,671	(1,107 )	(249 )	5,469
Total comprehensive loss	(11,309 )	134	(12,953 )	1,513
Comprehensive loss attributable to noncontrolling interests	(400 )	89	(177 )	212
Comprehensive (loss) income attributable to Kite Realty Group Trust	\$ (11,709 )	\$ 223	\$ (13,130 )	\$ 1,725

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



Kite Realty Group Trust  
Consolidated Statement of Shareholders' Equity  
(Unaudited)  
(in thousands, except share data)

	Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount		Income		
Balances, December 31, 2013	4,100,000	\$ 102,500	32,706,554	\$ 327	\$ 822,507	\$ 1,353	\$ (173,130 )	\$ 753,557
Common shares issued under employee share purchase plan	—	—	571	—	14	—	—	14
Common shares issued as part of merger, net of offering costs	—	—	50,272,308	503	1,232,829	—	—	1,233,332
Common shares retired in connection with reverse share split	—	—	(2,436 )	—	(60 )	—	—	(60 )
Stock compensation activity	—	—	478,121	5	2,110	—	—	2,115
Other comprehensive loss attributable to Kite Realty Group Trust	—	—	—	—	—	(202 )	—	(202 )
Distributions declared to common shareholders	—	—	—	—	—	—	(38,803 )	(38,803 )
Distributions to preferred shareholders	—	—	—	—	—	—	(6,342 )	(6,342 )
Net loss attributable to Kite Realty Group Trust	—	—	—	—	—	—	(12,928 )	(12,928 )

Edgar Filing: KITE REALTY GROUP TRUST - Form 10-Q

Exchange of redeemable noncontrolling interests for common shares	—	—	4,500	—	113	—	—	113
Adjustment to redeemable noncontrolling interests - Operating Partnership	—	—	—	—	1,550	—	—	1,550
Balances, September 30, 2014	4,100,000	\$102,500	83,459,618	\$835	\$2,059,063	\$ 1,151	\$ (231,203 )	\$1,932,346

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

Kite Realty Group Trust  
Consolidated Statements of Cash Flows  
(Unaudited)  
(in thousands)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Consolidated net loss	\$ (12,704 )	\$ (3,956 )
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Straight-line rent	(3,351 )	(2,539 )
Depreciation and amortization	83,472	43,313
Impairment charge	—	5,371
Gain on debt extinguishment	—	(1,242 )
Gain on sale of operating properties, net	(9,535 )	(487 )
Provision for credit losses	1,206	255
Compensation expense for equity awards	1,336	1,044
Amortization of debt fair value adjustment	(1,663 )	(125 )
Amortization of in-place lease liabilities, net	(3,582 )	(1,912 )
Changes in assets and liabilities:		
Tenant receivables and other	(6,811 )	542
Deferred costs and other assets	(5,542 )	(11,029 )
Accounts payable, accrued expenses, deferred revenue and other liabilities	(32,258 )	7,784
Net cash provided by operating activities	10,568	37,019
Cash flows from investing activities:		
Acquisitions of interests in properties	—	(102,685 )
Capital expenditures, net	(72,345 )	(75,077 )
Net proceeds from sales of operating properties	40,771	7,293
Net proceeds from sales of marketable securities acquired from merger	18,601	—
Net cash received from merger	108,666	—
Change in construction payables	(7,075 )	(12,970 )
Collection of note receivable	542	—
Net cash provided by (used in) investing activities	89,160	(183,439 )
Cash flows from financing activities:		
Common share issuance proceeds, net of issuance costs	(46 )	97,185
Offering costs	(1,819 )	—
Loan proceeds	84,207	290,071
Loan transaction costs	(3,709 )	(1,942 )
Loan payments	(131,786 )	(216,675 )
Distributions paid – common shareholders	(24,953 )	(14,963 )
Distributions paid – preferred shareholders	(6,342 )	(6,342 )
Distributions paid – redeemable noncontrolling interests	(1,914 )	(1,185 )
Distributions to noncontrolling interests in properties	(287 )	(82 )
Net cash (used in) provided by financing activities	(86,649 )	146,067

Edgar Filing: KITE REALTY GROUP TRUST - Form 10-Q

Net change in cash and cash equivalents	13,079	(353 )
Cash and cash equivalents, beginning of period	18,134	12,483
Cash and cash equivalents, end of period	\$ 31,213	\$ 12,130

Non-cash investing and financing activities

Extinguishment of mortgage upon transfer of Kedron Village operating property to lender	\$ —	\$ 29,195
Assumption of mortgages upon completion of merger including debt premium of \$33,298	892,909	—
Properties and other assets added upon completion of merger	2,367,600	—
Marketable securities added upon completion of merger	18,602	—

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

Kite Realty Group Trust  
Notes to Consolidated Financial Statements  
September 30, 2014  
(Unaudited)  
(in thousands, except share and per share data)

Note 1. Organization

Kite Realty Group Trust (the “Company”, “we”, “us” and “our”), through its majority-owned subsidiary, Kite Realty Group, L.P. (the “Operating Partnership”), is engaged in the ownership, operation, management, leasing, acquisition, redevelopment and development of neighborhood and community shopping centers and certain office real estate properties in select markets in the United States.

On July 1, 2014, we completed a merger with Inland Diversified Real Estate Trust, Inc. (“Inland Diversified”), in which Inland Diversified merged with and into a wholly-owned subsidiary of ours in a stock-for-stock exchange with a transaction value of approximately \$2.1 billion, including the assumption of approximately \$0.9 billion of debt. See Note 11 for additional details.

The retail portfolio we acquired through the merger with Inland Diversified was comprised of 60 properties in 23 states. The properties are located in a number of our existing markets and in various new markets including Westchester, New York; Bayonne, New Jersey; Las Vegas, Nevada; Virginia Beach, Virginia; and Salt Lake City, Utah.

Under the terms of the merger agreement, Inland Diversified shareholders received 1.707 newly issued common shares of the Company for each outstanding common share of Inland Diversified, resulting in a total issuance of approximately 201.1 million of our common shares. The transaction had a value of approximately \$1.2 billion based on the closing price of our common shares on the day preceding the merger of \$6.14. The terms are prior to the one for four reverse share split completed in August 2014.

At September 30, 2014, we owned interests in 129 operating properties (consisting of 127 retail properties and two office properties) and three development properties under construction.

Note 2. Basis of Presentation, Consolidation, Investments in Joint Ventures, and Noncontrolling Interests

We have prepared the accompanying unaudited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the presentation not misleading. The unaudited financial statements as of September 30, 2014 and for the three and nine months ended September 30, 2014 and 2013 include all adjustments,

consisting of normal recurring adjustments, necessary in the opinion of management to present fairly the financial information set forth therein. The consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's 2013 Annual Report on Form 10-K. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities, the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates. The results of operations for the interim periods are not necessarily indicative of the results that may be expected on an annual basis.

#### Components of Investment Properties

The Company's investment properties as of September 30, 2014 and December 31, 2013 were as follows:

7

---

	Balance at	
	September 30, 2014	December 31, 2013
Investment properties, at cost:		
Land	\$ 763,563	\$ 333,458
Buildings and improvements	2,749,023	1,351,642
Furniture, equipment and other	6,315	4,970
Land held for development	54,778	56,078
Construction in progress	100,153	130,909
	\$ 3,673,832	\$ 1,877,057

### Consolidation and Investments in Joint Ventures

The accompanying financial statements of the Company are presented on a consolidated basis and include all accounts of the Company, the Operating Partnership, the taxable REIT subsidiary of the Operating Partnership, subsidiaries of the Company or the Operating Partnership that are controlled and any variable interest entities (“VIEs”) in which the Company is the primary beneficiary. In general, a VIE is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) has equity investors that do not provide sufficient financial resources for the entity to support its activities, (b) does not have equity investors with voting rights or (c) has equity investors whose votes are disproportionate from their economics and substantially all of the activities are conducted on behalf of the investor with disproportionately fewer voting rights. The Company consolidates properties that are wholly owned as well as properties it controls but in which it owns less than a 100% interest. Control of a property is demonstrated by, among other factors:

- our ability to refinance debt and sell the property without the consent of any other partner or owner;
- the inability of any other partner or owner to replace the Company as manager of the property; or
- being the primary beneficiary of a VIE. The primary beneficiary is defined as the entity that has (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

As of September 30, 2014, we had investments in two joint ventures that are VIEs in which we are the primary beneficiary. As of this date, these VIEs had total debt of \$65.9 million which is secured by assets of the VIEs totaling \$115.9 million. The Operating Partnership guarantees the debt of these VIEs.

We consider all relationships between the Company and the VIE, including development agreements, management agreements and other contractual arrangements, in determining whether we have the power to direct the activities of the VIE that most significantly affect the VIE’s performance. We also continuously reassess primary beneficiary status. During the three months ended September 30, 2014, there were no changes to our conclusions regarding whether an entity qualifies as a VIE or whether we are the primary beneficiary of any previously identified VIE.

Noncontrolling Interests

We report the noncontrolling interests in subsidiaries as equity and the amount of consolidated net income attributable to the noncontrolling interests is set forth separately in the consolidated financial statements. The noncontrolling interests in consolidated properties for the nine months ended September 30, 2014 and 2013 were as follows:

8

---



Edgar Filing: KITE REALTY GROUP TRUST - Form 10-Q

	2014	2013
Noncontrolling interests balance January 1	\$3,548	\$3,535
Net income allocable to noncontrolling interests, excluding redeemable noncontrolling interests	103	90
Distributions to noncontrolling interests	(287 )	(82 )
Noncontrolling interests balance at September 30	\$3,364	\$3,543

We classify redeemable noncontrolling interests in the Operating Partnership in the accompanying consolidated balance sheets outside of permanent equity because we may be required to pay cash to unitholders upon redemption of their interests in the Operating Partnership under certain circumstances, such as the delivery of registered shares upon conversion. The carrying amount of the redeemable noncontrolling interests in the Operating Partnership is required to be reflected at the greater of historical book value or redemption value with a corresponding adjustment to additional paid-in capital. As of September 30, 2014 and December 31, 2013, the redemption value of the redeemable noncontrolling interests exceeded the historical book value, and the balance was accordingly adjusted to redemption value.

We allocate net operating results of the Operating Partnership after preferred dividends and noncontrolling interest in the consolidated properties based on the partners' respective weighted average ownership interest. We adjust the redeemable noncontrolling interests in the Operating Partnership at the end of each period to reflect their interests in the Operating Partnership. This adjustment is reflected in our shareholders' equity. The Company's and the limited partners' weighted average interests in the Operating Partnership for the three and nine months ended September 30, 2014 and 2013 were as follows:

	Three Months Ended		Nine Months Ended					
	September 30,		September 30,					
	2014	2013	2014	2013				
Company's weighted average basic interest in Operating Partnership	98.1	%	93.3	%	96.8	%	92.9	%
Limited partners' redeemable noncontrolling weighted average basic interests in Operating Partnership	1.9	%	6.7	%	3.2	%	7.1	%

At September 30, 2014, our interest and the redeemable noncontrolling ownership interests in the Operating Partnership were 98.1% and 1.9%, respectively. At December 31, 2013, our interest and the redeemable noncontrolling ownership interests in the Operating Partnership were 95.2% and 4.8%, respectively.

#### Redeemable Noncontrolling Interests - Subsidiaries

Prior to the merger, Inland Diversified formed joint ventures with the previous owners of certain properties and issued Class B units in three joint ventures that indirectly own those properties. The Class B units remain outstanding subsequent to the merger with Inland Diversified and are accounted for as noncontrolling interests in these properties. The Class B units will become redeemable at our applicable partner's election at future dates generally beginning in September 2015, March 2017 or October 2022 based on the applicable joint venture and the fulfillment

of certain redemption criteria. Beginning in June 2018, October 2022 and November 2022, with respect to our Inland Territory, City Center and Crossing at Killingly joint ventures, respectively, the applicable Class B units can be redeemed at either our applicable partner's or our election. None of the issued units have a maturity date and none are mandatorily redeemable.

We consolidate each of these joint ventures because we control the decision making of each of the joint ventures and our joint venture partners have limited protective rights.

We classify redeemable noncontrolling interests in certain subsidiaries in the accompanying consolidated balance sheets outside of permanent equity because, under certain circumstances, we may be required to pay cash to Class B unitholders in specific subsidiaries upon redemption of their interests. The carrying amount of these redeemable noncontrolling interests is required to be reflected at the greater of initial book value or redemption value with a corresponding adjustment to additional paid-in capital. As of September 30, 2014, the redemption value of the redeemable noncontrolling interests did not exceed the initial book value recorded upon our acquisition of Inland Diversified.

The redeemable noncontrolling interests in the Operating Partnership and other subsidiaries for the nine months ended September 30, 2014 and 2013 were as follows:

	2014	2013
Redeemable noncontrolling interests balance January 1	\$43,928	\$37,670
Acquired redeemable noncontrolling interests from merger	69,356	—
Net income allocable to redeemable noncontrolling interests	118	(741 )
Distributions declared to redeemable noncontrolling interests	(1,946 )	(1,189 )
Other comprehensive (loss) income allocable to redeemable noncontrolling interests 1	(47 )	440
Exchange of redeemable noncontrolling interest for common stock	(113 )	(73 )
Adjustment to redeemable noncontrolling interests - Operating Partnership and other	(1,742 )	4,007
Total Limited partners' interests in Operating Partnership and other redeemable noncontrolling interests balance at September 30	\$ 109,554	\$40,114
Limited partners' interests in Operating Partnership	40,198	40,114
Other redeemable noncontrolling interests in certain subsidiaries	69,356	—
Total Limited partners' interests in Operating Partnership and other redeemable noncontrolling interests balance at September 30	\$ 109,554	\$40,114

1 Represents the noncontrolling interests' share of the changes in the fair value of derivative instruments accounted for as cash flow hedges (see Note 5).

The following sets forth accumulated other comprehensive (loss) income allocable to noncontrolling interests for the nine months ended September 30, 2014 and 2013:

	2014	2013
Accumulated comprehensive income (loss) balance at January 1	\$69	\$(456 )
Other comprehensive (loss) income allocable to redeemable noncontrolling interests		