PREFERRED APARTMENT COMMUNITIES INC
Form SC 13G
February 14, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 13G

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT

TO RULE 13d-1(b), (c), AND (d) AND AMENDMENTS THERETO FILED PURSUANT TO

RULE 13d-2

Preferred Apartment Communities Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

74039L103
(CUSIP Number)

December 31, 2013
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

x Rule 13d-1(b)

o Rule 13d-1(c)

o Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY) BHR Capital LLC		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) o (b) o		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER 1,057,142	
	6	SHARED VOTING POWER 0	
	7	SOLE DISPOSITIVE POWER 1,057,142	
	8	SHARED DISPOSITIVE POWER 0	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,057,142		
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)		o
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 7.09%		
12	TYPE OF REPORTING PERSON (See Instructions)		

IA

Item 1. (a) Name of Issuer

Preferred Apartment Communities Inc.

(b) Address of Issuer's Principal Executive Offices

3625 Cumberland Boulevard, Suite 1150

Atlanta, GA 30339

Item 2. (a) Name of Person Filing

BHR Capital LLC

(b) Address of Principal Business Office, or, if none, Residence

545 Madison Avenue, 10th Floor

New York, NY, 10022

(c) Citizenship

Delaware

(d) Title of Class of Securities

Common Stock (the "Common Stock")

(e) CUSIP No.:

74039L103

Item 3. If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:

(a) ¨ Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o);

(b) ¨ Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c);

(c) ¨ Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c);

(d) ¨ Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8);

(e) x An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);

(f) ¨ An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);

(g) ¨ A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);

(h) ¨ A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);

(i) ¨ A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);

(j) ¨ A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);

Item 4. Ownership

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

BHR Capital LLC

(a) Amount beneficially owned: 1,057,142

(b) Percent of class: 7.09%

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote: 1,057,142

(ii) Shared power to vote or to direct the vote: 0

(iii) Sole power to dispose or to direct the disposition of: 1,057,142

(iv) Shared power to dispose or to direct the disposition of: 0

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following [ ].

Item 6. Ownership of More Than Five Percent on Behalf of Another Person

Not Applicable

Item 7. Identification and Classification of the Subsidiary which Acquired the Security Being Reported on by the Parent Holding Company or Control Person

Not Applicable

Item 8. Identification and Classification of Members of the Group

Not Applicable

Item 9. Notice of Dissolution of Group

Not Applicable

Item 10. Certification

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

<u>SIGNATURE</u>

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 14, 2014

BHR Capital LLC

By: William Brown
Name: William Brown
Title: Partner & President
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Total

$45,729 $51,872

Product category information net sales

In 2016, in connection with the Company s U.S. Wholesale restructuring plan the Company realigned its product categories to best achieve the Company s strategic plan and implementation of cost reduction initiatives. The revenue source categories disclosed below for the U.S. Wholesale operating segment reflect this realignment. Product categories in 2015 and 2014 have been reclassified to conform to current year presentation for comparative purposes. The following table sets forth net sales by major product categories included within the Company s U.S. Wholesale operating segment:

	Year Ended December 31,		
	2016	**2015**	**2014**
	(in thousands)		
Category:			
Kitchenware	$ 286,815	$ 295,592	$ 293,904
Tableware	135,901	125,445	117,546
Home Solutions	48,265	37,556	29,843
Total	$ 470,981	$ 458,593	$ 441,293

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LIFETIME BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

The following table sets forth net sales by major product categories included within the Company s International operating segment:

	Year Ended December 31,		
	2016	**2015**	**2014**
		(in thousands)	
Category:			
Kitchenware	$ 59,742	$ 61,291	$ 67,604
Tableware	41,328	46,709	57,626
Total	$ 101,070	$ 108,000	$ 125,230

NOTE L COMMITMENTS AND CONTINGENCIES

Operating leases

The Company has lease agreements for its corporate headquarters, distribution centers, showrooms and sales offices that expire through 2029. These leases generally provide for, among other things, annual base rent escalations and additional rent for real estate taxes and other costs.

Future minimum payments under non-cancelable operating leases are as follows (in thousands):

Year Ending December 31,	
2017	$ 17,279
2018	13,478
2019	11,254
2020	10,145
2021	9,771
Thereafter	61,236
Total	$ 123,163

Rent and related expenses under operating leases were $16.6 million, $17.4 million and $15.8 million for the years ended December 31, 2016, 2015 and 2014, respectively. The Company received $108,000 in sublease rental income in 2016. No such sublease rental income was received in 2015 or 2014.

The Company leases one property from the trustees of an active retirement benefit plan in which former and current employees of the Company participate. Total lease payments made to this related party in 2016 was $434,000. The lease agreement expires in 2020.

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Royalties

The Company has license agreements that require the payment of royalties on sales of licensed products which expire through 2023. Future minimum royalties payable under these agreements are as follows (in thousands):

Year ending December 31,	
2017	$ 6,199
2018	5,939
2019	248
2020	218
2021	222
Thereafter	382
Total	$ 13,208

Legal proceedings

Wallace Silversmiths de Puerto Rico, Ltd. (WSPR), a wholly-owned subsidiary of the Company, operates a manufacturing facility in San Germán, Puerto Rico that is leased from the Puerto Rico Industrial Development Company (PRIDCO). In March 2008, the United States Environmental Protection Agency (the EPA) announced that the San Germán Ground Water Contamination site in Puerto Rico (the Site) had been added to the Superfund National Priorities List due to contamination present in the local drinking water supply.

In May 2008, WSPR received from the EPA a Notice of Potential Liability and Request for Information Pursuant to 42 U.S.C. Sections 9607(a) and 9604(e) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). In July 2011, WSPR received a letter from the EPA requesting access to the property that it leases from PRIDCO to conduct an environmental investigation, and the Company granted such access. In February 2013, the EPA requested access to conduct a further environmental investigation at the property. PRIDCO agreed to such access and the Company consented. EPA conducted a further investigation during 2013 and, in April 2015, notified the Company and PRIDCO that the results from vapor intrusion sampling may warrant implementation of measures to mitigate potential exposure to sub-slab soil gas. The Company reviewed the information provided by the EPA and requested that PRIDCO, as the property owner, find and implement a solution acceptable to the EPA. While WSPR did not cause the sub-surface condition that resulted in the potential for vapor intrusion, in order to protect the health of its employees and continue its business operations, it has nevertheless implemented corrective action measures to prevent vapor intrusion such as sealing floors of the building and conducting periodic air monitoring to address potential exposure. On August 13, 2015, the EPA released its remedial investigation and feasibility study (RI/FS) for the Site. On December 11, 2015, the EPA issued the Record of Decision (ROD) for OU-1, electing to implement its preferred remedy which consists of soil vapor extraction and dual-phase extraction/*in-situ* treatment. This selected remedy includes soil vapor extraction (SVE) to address soil (vadose zone) source areas at the Site, impermeable cover as necessary for the implementation of SVE, dual phase extraction in the shallow saprolite zone, and *in-situ* treatment as needed to address residual sources. The EPA s estimated capital cost for its selected remedy is $7.3 million. The EPA also designated a second operable unit under which the EPA will conduct further investigations to determine the nature and extent of groundwater contamination, as well as a determination by the EPA on the necessity of any further response actions to address groundwater contamination. In February 2017, the EPA indicated that it plans to expand its field investigation for the RI/FS for the second operable unit to further determine the nature and extent of the groundwater contamination at and from the Site and to determine the nature of the remedial action needed to address the contamination. The EPA has requested access to the property occupied by WSPR to install monitoring wells and to undertake groundwater sampling as part of this expanded investigation. WSPR has consented to EPA s access request, provided that the EPA receives PRIDCO s consent, as the property

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owner. WSPR never used the primary contaminant of concern and did not take up its tenancy at the Site until after the EPA had discovered the contamination in the local water supply. The EPA has also issued notices of potential liability to a number of other entities affiliated with the Site, which used the contaminants of concern.

Accordingly, based on the above uncertainties and variables, it is not possible at this time for the Company to estimate its share of liability, if any, related to this matter. However, in the event of one or more adverse determinations related to this matter, it is possible that the ultimate liability resulting from this matter and the impact on the Company s results of operations could be material.

The Company is, from time to time, involved in other legal proceedings. The Company believes that other current litigation is routine in nature and incidental to the conduct of the Company s business and that none of this litigation, individually or collectively, would have a material adverse effect on the Company s consolidated financial position, results of operations or cash flows.

NOTE M RETIREMENT PLANS

401(k) plan

The Company maintains a defined contribution retirement plan for eligible employees under Section 401(k) of the Internal Revenue Code. Participants can make voluntary contributions up to the Internal Revenue Service limit of $18,000 ($24,000 for employees 50 years or over) for 2016. Effective January 1, 2009, the Company suspended its matching contribution as an expense savings measure. The Company s United Kingdom-based subsidiaries also maintain defined contribution pension plans.

Retirement benefit obligations

The Company assumed retirement benefit obligations, which are paid to certain former executives of a business acquired in 2006. These obligations under the agreements with these former executives are unfunded and amounted to $6.9 million at December 31, 2016 and $6.5 million at December 31, 2015.

The discount rate used to calculate the retirement benefit obligations was 3.76% at December 31, 2016 and 3.96% at December 31, 2015. The retirement benefit obligations are included in accrued expenses and deferred rent and other long-term liabilities.

The Company expects to recognize $104,000 of actuarial losses included in accumulated other comprehensive loss in net periodic benefit cost in 2017.

Expected benefit payments for each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in thousands):

Year ending December 31,	
2017	$ 312
2018	410
2019	397
2020	383
2021	381
2022 through 2026	1,991

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Kitchen Craft pension plan

Kitchen Craft was the sponsor of a defined benefit pension plan (the Plan) for which service costs accrual ceased prior to its acquisition in January 2014. In October 2014, the Plan trustees secured, in full, all benefits payable or contingently payable under the Plan (subject to adjustment as determined by the UK pension authority in connection with its approval of the Plan s termination) through the purchase of a group annuity contract from a major UK-based insurance company. The share purchase agreement, pursuant to which the Company acquired Kitchen Craft, provides that any additional contributions required in connection with the settlement and termination of the Plan shall be offset by future amounts owed to the sellers or, if those amounts are insufficient, reimbursed to the Company by the sellers. Accordingly, there was no impact to the Company s statement of operations in the years ended December 31, 2016 and 2015. The settlement and termination of the Plan occurred in 2015.

The following table summarizes the changes in the projected benefit obligations and plan assets for the year ended December 31, 2015:

	Year Ended December 31, 2015 (in thousands)	
Change in projected benefit obligations		
Projected benefit obligations, beginning of year	$	13,796
Interest cost		
Actuarial (gain) loss		(2,492)
Benefits paid		(58)
Annuity purchase		(11,008)
Currency adjustment		(238)
Projected benefit obligations, end of year	$	
Change in plan assets		
Fair value of plan assets, beginning of year	$	15,533
Actual return on plan assets		(1,903)
Employer (refund) contributions		(2,295)
Benefits paid		(58)
Annuity purchase		(11,008)
Currency adjustment		(269)
Fair value of plan assets, end of year	$	

Net Plan funding, end of year	$

No periodic pension costs were incurred during the years ended December 31, 2016 and 2015. The following table summarizes the components of net period pension costs for the year ended December 31, 2014 (in thousands).

Components of net periodic pension cost	
Expected return on plan assets	$ (390)
Interest cost on projected benefit obligations	364
Net periodic pension cost	$ (26)

The accumulated benefit obligations at December 31, 2016 and 2015 were $0. The amount in accumulated other comprehensive income at December 31, 2014 was $623,000.

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LIFETIME BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE N OTHER

Inventory

The components of inventory are as follows:

	December 31, 2016	December 31, 2015
	(in thousands)	
Finished goods	$ 132,564	$ 133,618
Work in process	1,521	1,754
Raw materials	1,127	1,518
Total	$ 135,212	$ 136,890

Property and equipment

Property and equipment consist of:

	December 31, 2016	December 31, 2015
	(in thousands)	
Machinery, furniture and equipment	$ 89,545	$ 88,914
Leasehold improvements	30,019	28,989
Building and improvements	1,622	1,604
Construction in progress	2,639	1,543
Land	100	100
	123,925	121,150
Less: accumulated depreciation and amortization	(102,794)	(96,273)
Total	$ 21,131	$ 24,877

Depreciation and amortization expense of property and equipment for the years ended December 31, 2016, 2015 and 2014 was $8.0 million, $7.2 million and $7.7 million, respectively**.** In 2016, the Company identified and corrected an error in the accumulated depreciation balance relating to certain leasehold improvements at one of its U.S.

warehouses. Accordingly, distribution expense for the year ended December 31, 2016 includes $1.2 million of additional depreciation expense to properly reflect the accumulated depreciation balance of these assets as of December 31, 2016.

Included in machinery, furniture and equipment at each of December 31, 2016 and 2015 is $2.2 million and $2.3 million, respectively, related to assets recorded under capital leases. Included in accumulated depreciation and amortization at December 31, 2016 and 2015 is $2.0 million and $2.1 million, respectively, related to assets recorded under capital leases.

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Accrued expenses

Accrued expenses consist of:

	December 31, 2016	December 31, 2015
	(in thousands)	
Customer allowances and rebates	$ 10,787	$ 10,474
Compensation and benefits	13,616	10,762
Interest	185	241
Vendor invoices	5,415	4,424
Royalties	2,095	2,330
Commissions	947	989
Freight	1,684	1,360
Professional fees	1,464	860
VAT	648	1,312
Contingent consideration related to acquisitions	738	3,193
HSBC collection receipts [1]	3,335	
Other	4,298	4,209
Total	$ 45,212	$ 40,154

(1) Collections received on behalf of HSBC in connection with the Receivable Purchase Agreement.

Deferred rent & other long-term liabilities

Deferred rent & other long-term liabilities consist of:

	December 31, 2016	December 31, 2015
	(in thousands)	
Deferred rent liability	$ 12,213	$ 10,450
Retirement benefit obligations	6,629	6,349
Contingent consideration related to acquisitions		892
Compensation		719

Capital lease obligations	128	121
Derivative liability	3	25
Total	$ 18,973	$ 18,556

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Supplemental cash flow information

	Year Ended December 31, 2016	2015	2014
	(in thousands)		
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 4,171	$ 4,909	$ 5,035
Cash paid for taxes	6,384	8,963	4,912
Non-cash investing activities:			
Translation adjustment	$ (23,061)	$ (5,281)	$ (4,736)

Components of accumulated other comprehensive loss, net

	Year Ended December 31, 2016	2015	2014
	(in thousands)		
Accumulated translation adjustment:			
Balance at beginning of year	$ (12,961)	$ (7,680)	$ (2,944)
Translation adjustment during period	(23,061)	(5,281)	(4,736)
Amounts reclassified from accumulated other comprehensive loss: (1)			
Currency translation adjustment	378		
Balance at end of year	$ (35,644)	$ (12,961)	$ (7,680)
Accumulated effect of retirement benefit obligations:			
Balance at beginning of year	$ (1,204)	$ (2,224)	$ (745)
Net gain (loss) arising from retirement benefit obligations, net of tax	(202)	941	(1,507)
Amounts reclassified from accumulated other comprehensive loss:			
Amortization of loss, net of tax(2)	54	79	28
Balance at end of year	$ (1,352)	$ (1,204)	$ (2,224)

Accumulated deferred gains (losses) on cash flow hedges:						
Balance at beginning of year	$	(20)	$	(18)	$	(31)
Derivative fair value adjustment, net of tax		17		(2)		13
Balance at end of year [3]	$	(3)	$	(20)	$	(18)

(1) Amount is recorded in equity in earnings (losses) on the consolidated statements of operations.

(2) Amount is recorded in selling, general and administrative expenses on the consolidated statements of operations.

(3) No amounts were reclassified out of accumulated other comprehensive loss. Amounts reclassified would be recorded in interest expense on the consolidated statements of operations.

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Item 15(a)

LIFETIME BRANDS, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

COL. A	COL. B	COL. C Additions		COL. D	COL. E
Description	**Balance at beginning of period**	**Due to acquisitions**	**Charged to costs and expenses**	**Deductions**	**Balance at end of period**
Year ended December 31, 2016					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 697	$	$ 127	$ (176)(a)	$ 648
Reserve for sales returns and allowances	4,603		5,110(c)	(4,636)(b)	5,077
	$ 5,300	$	$ 5,237	$ (4,812)	$ 5,725
Year ended December 31, 2015					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 815	$	$ 226	$ (344)(a)	$ 697
Reserve for sales returns and allowances	5,848		6,504(c)	(7,749)(b)	4,603
	$ 6,663	$	$ 6,730	$ (8,093)	$ 5,300
Year ended December 31, 2014					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 473	$ 119	$ 401	$ (178)(a)	$ 815
Reserve for sales returns and allowances	4,736	350	10,996(c)	(10,234)(b)	5,848
	$ 5,209	$ 469	$ 11,397	$ (10,412)	$ 6,663

(a) Uncollectible accounts written off, net of recoveries.
(b) Allowances granted.
(c) Charged to net sales.