

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

- (Mark One)
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED December 31, 2015
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: 001-32270

STONEMOR PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

311 Veterans Highway, Suite B
Levittown, Pennsylvania
(Address of principal executive offices)

80-0103159
(I.R.S. Employer
Identification No.)

19056
(Zip Code)

Registrant's telephone number, including area code (215) 826-2800

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

Title of each class
Common Units

Name of each exchange on which
registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The aggregate market value of the common units held by non-affiliates of the registrant was approximately \$799.0 million as of June 30, 2015 based on \$30.15, the closing price per common unit as reported on the New York Stock Exchange on that date.¹

The number of the registrant's outstanding common units at February 12, 2016 was 32,648,469.

Documents incorporated by reference: None

¹ The aggregate market value of the common units set forth above equals the number of the registrant's common units outstanding, reduced by the number of common units held by executive officers, directors and persons owning 10% or more of the registrant's common units, multiplied by the closing price per the registrant's common unit on June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter. The information provided shall in no way be construed as an admission that any person whose holdings are excluded from this figure is an affiliate of the registrant or that any person whose holdings are included in this figure is not an affiliate of the registrant and any such admission is hereby disclaimed. The information provided herein is included solely for record keeping purposes of the Securities and Exchange Commission.

FORM 10-K OF STONEMOR PARTNERS L.P.
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PART I

ITEM 1. BUSINESS

OVERVIEW

We were formed as a Delaware limited partnership in April 2004 to own and operate the assets and businesses previously owned and operated by Cornerstone Family Services, Inc., (“Cornerstone”), which was converted into CFSI LLC, a limited liability company (“CFSI”), prior to our initial public offering of common units representing limited partner interests on September 20, 2004. On May 21, 2014, Cornerstone Family Services LLC, a Delaware limited liability company (“CFS”), and its direct and indirect subsidiaries: CFSI LLC and StoneMor GP LLC, our general partner (“StoneMor GP” or “general partner”), completed a series of transactions (the “Reorganization”) to streamline the ownership structure of CFSI and StoneMor GP. As a result of the Reorganization, StoneMor GP became a wholly-owned subsidiary of StoneMor GP Holdings LLC, a Delaware limited liability company (“GP Holdings”), formerly known as CFSI, and GP Holdings is owned by (i) a trustee of the trust established for the pecuniary benefit of American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company (“ACII”), which trustee has exclusive voting and investment power over approximately 67.03% of membership interests in GP Holdings, and (ii) certain directors, affiliates of certain directors and current and former executive officers of our general partner. See Part III of this Annual Report on Form 10-K for a more detailed discussion of the Reorganization. In this Annual Report on Form 10-K, unless the context otherwise requires, references to “we,” “us,” “our,” “StoneMor,” the “Company,” or the “Partnership” are to StoneMor Partners L.P. and its subsidiaries.

We are currently the second largest owner and operator of cemeteries and funeral homes in the United States. As of December 31, 2015, we operated 307 cemeteries in 27 states and Puerto Rico. We own 276 of these cemeteries and we manage or operate the remaining 31 under lease, management or operating agreements with the nonprofit cemetery companies that own the cemeteries. As of December 31, 2015, we also owned and operated 105 funeral homes in 19 states and Puerto Rico. Forty-seven of these funeral homes are located on the grounds of the cemeteries that we own.

The cemetery products and services that we sell include the following:

<u>Interment Rights</u>	<u>Merchandise</u>	<u>Services</u>
<ul style="list-style-type: none">• burial lots• lawn crypts• mausoleum crypts• cremation niches• perpetual care rights	<ul style="list-style-type: none">• burial vaults• caskets• grave markers and grave marker bases• memorials	<ul style="list-style-type: none">• installation of burial vaults• installation of caskets• installation of other cemetery merchandise• other service items

We sell these products and services both at the time of death, which we refer to as at-need, and prior to the time of death, which we refer to as pre-need. Our sales of real property, including burial lots (with and without installed vaults), lawn and mausoleum crypts and cremation niches, generally generate qualifying income sufficient for us to be treated as a partnership for federal income tax purposes. In 2015, we performed 54,837 burials and sold 37,086 interment rights (net of cancellations). Based on our sales of interment spaces in 2015, our cemeteries have an aggregated weighted average remaining sales life of 237 years.

Our cemetery properties are located in Alabama, California, Colorado, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Mississippi, Missouri, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Tennessee, Virginia, Washington and West Virginia. One cemetery in Hawaii that we acquired in December 2007 is still awaiting regulatory approval and has not yet been conveyed to us. Our cemetery operations accounted for approximately 81.1%, 83.1% and 81.8% of our revenues in 2015, 2014 and 2013, respectively.

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Our primary funeral home products are caskets and related items. Our funeral home services include consultation, the removal and preparation of remains, and the use of funeral home facilities for visitation and prayer services.

Our funeral homes are located in Alabama, Arkansas, California, Florida, Illinois, Indiana, Kansas, Maryland, Mississippi, Missouri, North Carolina, Ohio, Oregon, Pennsylvania, Puerto Rico, South Carolina, Tennessee, Virginia, Washington and West Virginia. Our funeral home revenues accounted for approximately 18.9%, 16.9% and 18.2% of our revenues in 2015, 2014 and 2013, respectively. Our funeral home operations are conducted through various wholly-owned subsidiaries that are treated as corporations for U.S. federal income tax purposes.

OPERATIONS

Segment Reporting and Related Information

We have revised our segment reporting from prior presentations based on how we currently manage our operations and make business decisions. We now have two distinct reportable segments, which are classified as Cemetery Operations and Funeral Homes, and are supported by corporate costs and expenses.

We have chosen this level of organization and disaggregation of reportable segments because a) each reportable segment has unique characteristics that set it apart from the other segment; b) we have organized our management personnel at these two operational levels; and c) it is the level at which our chief decision makers and other senior management evaluate performance.

Our Cemetery Operations segment sell interment rights, caskets, burial vaults, cremation niches, markers and other cemetery related merchandise. Our Funeral Homes segment offers a range of funeral-related services such as family consultation, final expense insurance products, the removal of and preparation of remains and the use of funeral home facilities for visitation and prayer services. These services are distinctly different than the cemetery merchandise and services sold and provided by the Cemetery Operations segment. Our corporate costs include various home office selling and administrative expenses that are not allocable to the operating segments.

Cemetery Operations

Our cemetery operations include sales of cemetery interment rights, merchandise and services and the performance of cemetery maintenance and other services. An interment right entitles a customer to a burial space in one of our cemeteries and the perpetual care of that burial space. Burial spaces, or lots, are parcels of property that hold interred human remains. Our cemeteries require a burial vault to be placed in each burial lot. A burial vault is a rectangular container, usually made of concrete but also made of steel or plastic, which sits in the burial lot and in which the casket is placed. The top of the burial vault is buried approximately 18 to 24 inches below the surface of the ground, and the casket is placed inside the vault. Burial vaults prevent ground settling that otherwise occurs when a casket, placed directly in the ground, begins to decay creating uneven ground surface. Ground settling typically results in higher maintenance costs and increased potential liability for slip-and-fall accidents on the property. Lawn crypts are a series of closely spaced burial lots with preinstalled vaults and other improvements, such as landscaping, sprinkler systems and drainage. A mausoleum crypt is an above ground structure that may be designed for a particular customer, which we refer to as a private mausoleum, or it may be a larger building that serves multiple customers, which we refer to as a community mausoleum. Cremation niches are spaces in which the ashes remaining after cremation are stored. Cremation niches are often part of community mausoleums, although we sell a variety of cremation niches to accommodate our customers' preferences.

Grave markers, monuments and memorials are above ground products that serve as memorials by showing who is remembered, the dates of birth and death and other pertinent information. These markers, monuments and memorials include simple plates, such as those used in a community mausoleum or cremation niche, flush-to-the-ground granite or bronze markers, headstones or large stone obelisks.

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One of the principal services we provide at our cemeteries is an “opening and closing,” which is the digging and refilling of burial spaces to install the vault and place the casket into the vault. With pre-need sales, there are usually two openings and closings. During the initial opening and closing, we install the burial vault in the burial space. We usually perform this service shortly after the customer signs a pre-need contract. Advance installation allows us to withdraw the related funds from our merchandise trusts, making the amount in excess of our cost to purchase and install the vault available to us for other uses, and eliminates future merchandise trusting requirements for the burial vault and its installation. During the final opening and closing, we remove the dirt above the vault, open the lid of the vault, place the casket into the vault, close the vault lid and replace the ground cover. With at-need sales, we typically perform the initial opening and closing at the time we perform the final opening and closing. Our other services include the installation of other cemetery merchandise and the perpetual care related to interment rights.

Funeral Home Operations

As of December 31, 2015, we owned, operated or managed 105 funeral homes, 47 of which are located on the grounds of cemetery properties that we own. Our funeral homes offer a range of services to meet a family’s funeral needs, including family consultation, final expense insurance products, the removal and preparation of remains, provision of caskets and related funeral merchandise, the use of funeral home facilities for visitation, worship and performance of funeral services and transportation services. Funeral home operations primarily generate revenues from at-need sales. Our funeral home segment has continued to grow and has become a significant contributor to our consolidated revenues.

Cremation Products and Services

We operate crematories at some of our cemeteries or funeral homes, but our primary cremation operations are sales of receptacles for cremated remains, such as urns, and the inurnment of cremated remains in niches or scattering gardens. While cremation products and services usually cost less than traditional burial products and services, they yield higher margins on a percentage basis and take up less space than burials. We sell cremation products and services on both a pre-need and at-need basis.

Seasonality

The death care business is relatively stable and predictable. Although we experience seasonal increases in deaths due to extreme weather conditions and winter flu, these increases have not historically had any significant impact on our results of operations. In addition, we perform fewer initial openings and closings in the winter when the ground is frozen.

Sales Contracts

Pre-need products and services are typically sold on an installment basis. At-need products and services are generally required to be paid for in full in cash by the customer at the time of sale.

Trusts

Sales of cemetery products and services are subject to a variety of state regulations. In accordance with these regulations, we are required to establish and fund two types of trusts, merchandise trusts and perpetual care trusts, to ensure that we can meet our future obligations. Our funding obligations are generally equal to a percentage of sales proceeds of the products and services we sell.

Sales Personnel, Training and Marketing

As of December 31, 2015, we employed 806 full-time commissioned salespeople and 128 full-time sales support and telemarketing employees. We had ten regional sales vice presidents supporting our cemetery

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operations. They were supported by two Divisional Vice Presidents of Sales who report to our Chief Operating Officer. Individual salespersons are typically located at the cemeteries they serve and report directly to the cemetery sales manager. We have made a strong commitment to the ongoing education and training of our sales force and to salesperson retention in order to ensure our customers receive the highest quality customer service and to ensure compliance with all applicable requirements. Our training program includes classroom training at our headquarters, field training, continuously updated training materials that utilize media, such as the Internet, for interactive training and participation in industry seminars. We place special emphasis on training property sales managers, who are key elements to a successful pre-need sales program.

We reward our salespeople with incentives for generating new customers. Sales force performance is evaluated by sales budgets, sales mix and closing ratios, which are equal to the number of contracts written, divided by the number of presentations that are made. Substantially all of our sales force is compensated based solely on performance. Commissions are augmented with various bonus and incentive packages to ensure a high quality, motivated sales force. We pay commissions to our sales personnel on pre-need contracts based upon a percentage of the value of the underlying contracts. Such commissions vary depending upon the type of merchandise and services sold. We also pay commissions on at-need contracts that are generally equal to a fixed percentage of the contract amount. In addition, cemetery managers receive an override commission that is equal to a percentage of the gross sales price of the contracts entered into by the salespeople assigned to the cemeteries they manage.

We generate sales leads through focused telemarketing, direct mail, television advertising, funeral follow-up and sales force cold calling, with the assistance of database mining and other marketing resources. We have created a marketing department to allow us to use more sophisticated marketing techniques to focus more effectively our telemarketing and direct sales efforts. Sales leads are referred to the sales force to schedule an appointment, most often at the customer's home. We believe these activities comply in all material respects with legal requirements.

Acquisitions and Long-Term Operating Agreements

Refer to Note 2 of our consolidated financial statements in "Item 8" of this Form 10-K for a more detailed discussion of our acquisitions and long-term operating agreements. A summary of our acquisition activities is as follows:

2015

We completed five acquisitions during the year ended December 31, 2015, which included 4 cemeteries and 7 funeral homes. The acquired properties were located in Illinois and Florida. The aggregate fair value of the total consideration for these acquisitions was \$19.7 million.

2014

We completed three acquisitions during the year ended December 31, 2014, which included 13 cemeteries and 11 funeral homes. The acquired properties were located in North Carolina, Pennsylvania, Virginia and Florida. The aggregate fair value of the total consideration for these acquisitions was \$56.4 million. In addition, on May 28, 2014, we closed the Lease and the Management Agreement transaction with the Archdiocese of Philadelphia, pursuant to which we operate 13 cemeteries in Pennsylvania for a term of 60 years, subject to certain termination provisions. We paid up-front rent of \$53.0 million to the Archdiocese of Philadelphia at closing.

2013

We completed two acquisitions during the year ended December 31, 2013, which included one cemetery in Virginia and six funeral homes in Florida. The aggregate fair value of the total consideration for these acquisitions was \$21.6 million.

Competition

Our cemeteries and funeral homes generally serve customers that live within a 10 to 15-mile radius of a property's location. Within this localized area, we face competition from other cemeteries and funeral homes located in the area. Most of these cemeteries and funeral homes are independently owned and operated, and most of these owners and operators are smaller than we are and have fewer resources than we do. We generally face limited competition from the two publicly held death care companies that have U.S. operations —Service Corporation International and Carriage Services, Inc. — as they do not directly operate cemeteries in the same local geographic areas where we operate.

Within a localized area of competition, we compete primarily for at-need sales because many of the independently owned, local competitors either do not have pre-need sales programs or have pre-need programs that are not as developed as ours. Most of these competitors do not have as many of the resources that are available to us to launch and grow a substantial pre-need sales program. The number of customers that cemeteries and funeral homes are able to attract is largely a function of reputation and heritage, although competitive pricing, professional service and attractive, well-maintained and conveniently located facilities are also important factors. The sale of cemetery and funeral home products and services on a pre-need basis has increasingly been used by many companies as an important marketing tool. Due to the importance of reputation and heritage, increases in customer base are usually gained over a long period of time.

Competitors within a localized area have an advantage over us if a potential customer's family members are already buried in the competitor's cemetery. If either of the two publicly held death care companies identified above operated, or in the future were to operate, cemeteries within close proximity of our cemeteries, they may have a competitive advantage over us because they have greater financial resources available to them due to their size and access to the capital markets.

We believe that we currently face limited competition for cemetery acquisitions. The two publicly held death care companies identified above, as well as Stewart Enterprises, Inc., which was acquired by Service Corporation International in December 2013, have historically been the industry's primary consolidators, but have largely curtailed cemetery acquisition activity since 1999. Furthermore, these companies continue to generate the majority of their revenues from funeral home operations. Based on the relative levels of cemetery operations and funeral home operations of these publicly traded death care companies, which are disclosed in their SEC filings, we believe that we are the only public death care company that focuses a significant portion of its efforts on cemetery operations.

REGULATION

General

Our operations are subject to regulation, supervision and licensing under federal, state and local laws, which impacts the goods and services that we may sell and the manner in which we may furnish goods and services.

Cooling-Off Legislation

Each of the states where our current cemetery and funeral home properties are located has "cooling-off" legislation with respect to pre-need sales of cemetery and funeral home products and services. This legislation generally requires us to refund proceeds from pre-need sales contracts if canceled by the customer for any reason within three to thirty days, or in certain states until death, from the date of the contract, depending on the state (and some states permit cancellation and require refund beyond that time). The Federal Trade Commission, or FTC, also requires a cooling-off period of three business days for door to door sales, during which time a contract may be cancelled entitling a customer to a refund of the funds paid.

Trusting

Sales of cemetery interment rights and pre-need sales of cemetery and funeral home merchandise and services are generally subject to trusting requirements imposed by state laws in most of the states where we operate.

Truth in Lending Act and Regulation Z

Our pre-need installment contracts are subject to the federal Truth-in-Lending Act, or TILA, and the regulations thereunder, which are referred to as Regulation Z. TILA and Regulation Z promote the informed use of consumer credit by requiring us to disclose, among other things, the annual percentage rate, finance charges and amount financed when extending credit to consumers.

Other Consumer Credit-Related Laws and Regulations

As a provider of consumer credit and a business that generally deals with consumers, we are subject to various other state and federal laws covering matters such as credit discrimination, the use of credit reports, identity theft, the handling of consumer information, consumer privacy, marketing and advertising, debt collection, extensions of credit to service members, and prohibitions on unfair or deceptive trade practices.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank

Dodd-Frank, signed into law by President Obama on July 21, 2010, created a new federal Bureau of Consumer Financial Protection, or the Bureau. In addition to transferring to the Bureau rule-writing authority for nearly all federal consumer finance-related laws and giving the Bureau rule-writing authority in other areas, Dodd-Frank empowers the Bureau to conduct examinations and bring enforcement actions against certain consumer credit providers and other entities offering consumer financial products or services. While not presently subject to examination by the Bureau, we potentially could be in the future in connection with our pre-need installment contracts. The Bureau also has authority to conduct investigations and bring enforcement actions against providers of consumer financial services, including providers over which it may not currently have examination authority. The Bureau may seek penalties and other relief on behalf of consumers that are substantially in excess of the remedies available under such laws prior to Dodd-Frank. On July 21, 2011, the Bureau officially assumed rule-writing and enforcement authority for most federal consumer finance laws, as well as authority to prohibit unfair, deceptive or abusive practices related to consumer financial products and services.

Telemarketing Laws

We are subject to the requirements of two federal statutes governing telemarketing practices, the Telephone Consumer Protection Act, or TCPA, and the Telemarketing and Consumer Fraud and Abuse Prevention Act, or TCFAPA. These statutes impose significant penalties on those who fail to comply with their mandates. The Federal Communications Commission, or FCC, is the federal agency with authority to enforce the TCPA, and the FTC, has jurisdiction under the TCFAPA. The FTC and FCC jointly administer a national “do not call” registry, which consumers can join in order to prevent unwanted telemarketing calls. Primarily as a result of implementation of the “do not call” legislation and regulations, the percentage of our pre-need sales generated from telemarketing leads has decreased substantially in the past ten years. We are also subject to similar telemarketing consumer protection laws in all states in which we currently operate. These states’ statutes similarly permit consumers to prevent unwanted telephone solicitations. In addition, in cases where telephone solicitations are permitted, there are various restrictions and requirements under state and federal law in connection with such calls.

Occupational Safety and Health Act and Environmental Law Requirements

We are subject to the requirements of the Occupational Safety and Health Act, or OSHA, and comparable state statutes. OSHA’s regulatory requirement known as the Hazard Communication Standard, the Emergency

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Planning and Community Right-to-Know Act or EPCRA, and similar state statutes require us to report information about hazardous materials used or maintained for our operations to state, federal and local authorities. We may also be subject to Tier 1 or Tier 2 Emergency and Hazardous Chemical Inventory reporting requirements under EPCRA depending on the amount of hazardous materials maintained on-site at a particular facility. We are also subject to the federal Americans with Disabilities Act and similar laws, which, among other things, may require that we modify our facilities to comply with minimum accessibility requirements for disabled persons.

Federal Trade Commission

Our funeral home operations are comprehensively regulated by the FTC under Section 5 of the Federal Trade Commission Act and a trade regulation rule for the funeral industry promulgated thereunder, referred to as the “Funeral Rule.” The Funeral Rule requires funeral service providers to disclose the prices for their goods and services as soon as the subject of price arises in a discussion with a potential customer (this entails presenting various itemized price lists if the consultation is in person, and readily answering all price-related questions posed over the telephone), and to offer their goods and services on an unbundled basis. The Funeral Rule also prohibits misrepresentations in connection with our sale of goods and services, and requires that the consumer receives an itemized statement of the goods and services purchased. Through these regulations, the FTC sought to give consumers the ability to compare prices among funeral service providers and to avoid buying packages containing goods or services that they did not want. The unbundling of goods from services has also opened the way for third-party, discount casket sellers to enter the market, although they currently do not possess substantial market share.

In addition, our pre-need installment contracts for sales of cemetery and funeral home merchandise and services are subject to the FTC’s “Holder Rule,” which requires disclosure in the installment contract that any holder of the contract is subject to all claims and defenses that the consumer could assert against the seller of the goods or services, subject to certain limitations. These contracts are also subject to the FTC’s “Credit Practices Rule,” which prohibits certain credit loan terms and practices.

Future Enactments and Regulation

Federal and state legislatures and regulatory agencies frequently propose new laws, rules and regulations and new interpretations of existing laws, rules and regulations which, if enacted or adopted, could have a material adverse effect on our operations and on the death care industry in general. A significant portion of our operations is located in California, Pennsylvania, Michigan, New Jersey, Virginia, Maryland, North Carolina, Ohio, Indiana, Florida and West Virginia and any material adverse change in the regulatory requirements of those states applicable to our operations could have a material adverse effect on our results of operations. We cannot predict the outcome of any proposed legislation or regulations or the effect that any such legislation or regulations, if enacted or adopted, might have on us.

Environmental Regulations and Liabilities

Our operations are subject to federal, state and local environmental regulations in three principal areas: (1) crematories for emissions to air that may trigger requirements under the Clean Air Act; (2) funeral homes for the management of hazardous materials and medical wastes; and (3) cemeteries and funeral homes for the management of solid waste, underground and above ground storage tanks and discharges to wastewater treatment systems and/or septic systems.

Clean Air Act

The Federal Clean Air Act and similar state laws, which regulate emissions into the air, can affect crematory operations through permitting and emissions control requirements. Our cremation operations may be subject to Clean Air Act regulations under federal and state law and may be subject to enforcement actions if these operations do not conform to the requirements of these laws.

Emergency Planning and Community Right-to-Know Act

As noted above, federal, state and local regulations apply to the storage and use of hazardous materials at our facilities. Depending on the types and quantities of materials we manage at any particular facility, we may be required to maintain and submit Material Safety Data Sheets and inventories of these materials located at our facilities to the regulatory authorities in compliance with EPCRA or similar state statutes.

Clean Water Act

We are also subject to the Clean Water Act and corresponding state laws, as well as local requirements applicable to the treatment of sanitary and industrial wastewaters. Many of our funeral homes discharge their wastewaters into Publicly Operated Treatment Works, or POTWs, and may be subject to applicable limits as to contaminants that may be included in the discharge of their wastewater. Our cemeteries typically discharge their wastewaters from sanitary use and maintenance operations conducted onsite into septic systems, which are regulated under state and local laws. If there are violations of applicable local, state or federal laws pertaining to our discharges of wastewaters, we may be subject to penalties as well as an obligation to conduct required remediation.

Comprehensive Environmental Response, Compensation, and Liability Act

The Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, and similar state laws affect our cemetery and funeral home operations by, among other things, imposing investigation and remediation obligations for threatened or actual releases of hazardous substances that may endanger public health or welfare or the environment. Under CERCLA and similar state laws, strict, joint and several liability may be imposed upon generators, site owners and operators, and others regardless of fault or the legality of the original disposal activity. Our operations include the use of some materials that may meet the definition of “hazardous substances” under CERCLA or state laws and thus may give rise to liability if released to the environment through a spill or release. Should we acquire new properties with pre-existing conditions triggering CERCLA or similar state liability, we may become liable for responding to those conditions under CERCLA or similar state laws. We may become involved in proceedings, litigation or investigations at one or more sites where releases of hazardous substances have occurred, and we cannot assure you that the associated costs and potential liabilities would not be material.

Underground and Above Ground Storage Tank Laws and Solid Waste Laws

Federal, state and local laws regulate the installation, removal, operations and closure of underground storage tanks, or USTs, and above ground storage tanks, or ASTs, which are located at some of our facilities, as well as the management and disposal of solid waste. Most of the USTs and ASTs contain petroleum for heating our buildings or are used for vehicle maintenance, or general operations. Depending upon the age and integrity of the USTs and ASTs, they may require upgrades, removal and/or closure, and remediation may be required if there has been a potential discharge or release of petroleum into the environment. All of the aforementioned activities may require us to incur capital costs and expenses to ensure continued compliance with environmental requirements. Should we acquire properties with existing USTs and ASTs that are not in compliance with environmental requirements, we may become liable for responding to releases to the environment or for costs associated with upgrades, removal and/or closure costs, and we cannot assure you that the costs or liabilities will not be material in that event. Solid wastes have been disposed of at some of our cemeteries, both lawfully and unlawfully. Prior to acquiring a cemetery, an environmental site assessment is usually conducted to determine, among other conditions, if a solid waste disposal area or landfill exists on the parcel which requires removal, cleaning or management. Depending upon the existence of any such solid waste disposal areas, we may be required by the applicable regulatory authority to remove the waste materials or to conduct remediation and we cannot assure you that the costs or liabilities will not be material in that event.

Employees

As of December 31, 2015, our general partner and its affiliates employed 3,387 full-time and 57 part-time employees. Fifty-nine of these employees are represented by various unions in Pennsylvania, Ohio, California, New Jersey and Illinois, and are subject to collective bargaining agreements that have expiration dates ranging from July 2016 to September 2020. We believe that our relationship with our employees is good.

Available Information

We maintain an Internet website with the address of <http://www.stonemor.com>. The information on this website is not, and should not be considered part of this Annual Report on Form 10-K and is not incorporated by reference into this document. This website address is only intended to be an inactive textual reference. Copies of our reports filed with, or furnished to, the SEC on Forms 10-K, 10-Q, and 8-K and any amendments to such reports are available for viewing and copying at such Internet website, free of charge, as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC.

Financial Information

Information for each of our segments is presented in “Item 8. Financial Statements and Supplementary Data” in this report.

ITEM 1A. RISK FACTORS

RISK FACTORS RELATED TO OUR BUSINESS

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the risks set forth below. The risks described below should not be considered comprehensive and all-inclusive. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. If any events occur that give rise to the following risks, our business, financial condition or results of operations could be materially and adversely impacted. These risk factors should be read in conjunction with other information set forth in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes. Many such factors are beyond our ability to control or predict. Investors are cautioned not to put undue reliance on forward-looking statements that involve risks and uncertainties.

We may not have sufficient cash from operations to increase distributions, to continue paying distributions at their current level, or at all, after we have paid our expenses, including the expenses of our general partner, funded merchandise and perpetual care trusts and established necessary cash reserves.

The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from operations, which fluctuates from quarter to quarter based on, among other things:

- the volume of our sales;
- the prices at which we sell our products and services; and
- the level of our operating and general and administrative costs.

In addition, the actual amount of cash we will have available for distribution will depend on other factors, such as working capital borrowings, capital expenditures and funding requirements for trusts and our ability to withdraw amounts from trusts. Therefore, our major risk is related to uncertainties associated with our cash flow from our pre-need and at-need sales, our trusts, and financings, which may impact our ability to meet our financial projections, our ability to service our debt and pay distributions, and our ability to increase our distributions.

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If we do not generate sufficient cash to continue paying distributions at least at their current level, the market price of our common units may decline materially. We expect that we will need working capital borrowings of approximately \$60.0 million during the year ending December 31, 2016 in order to have sufficient operating surplus to pay distributions at their current level and with the projected increase on our common units, although the actual amount of working capital borrowings could be materially more or less. These working capital borrowings enable us to finance the build-up in our accounts receivables, and to construct mausoleums and purchase products for our pre-need sales in advance of the time of need, which, in turn, allows us to generate available cash for operating surplus over time by accessing the funds held in trust for the products purchased.

Our substantial level of indebtedness could materially adversely affect our ability to generate sufficient cash for distribution to our unitholders, to fulfill our debt obligations and to operate our business.

We have a substantial amount of debt, which requires significant interest and principal payments. As of December 31, 2015, we had \$149.5 million of total debt outstanding on a revolving credit facility that matures in December 2019, which would give us \$30.5 million of total available borrowing capacity under our credit facility. The revolving credit facility provides for both acquisition draws, which are used primarily to finance acquisitions, acquisition related costs and mausoleum construction costs, and working capital draws, which are used to finance all other corporate costs. As of December 31, 2015, we had \$105.0 million of working capital draws, which are limited to a borrowing formula of 85% of eligible account receivables. This limit was \$139.0 million at December 31, 2015. In addition, as of December 31, 2015, we had \$175.0 million aggregate principal amount of 7.875% Senior Notes due 2021 outstanding. Leverage makes us more vulnerable to economic downturns. Because we are obligated to dedicate a portion of our cash flow to service our debt obligations, our cash flow available for operations and for distribution to our unitholders will be reduced. The amount of indebtedness we have could limit our flexibility in planning for, or reacting to, changes in the markets in which we compete, limit our ability to obtain additional financing, if necessary, for working capital expenditures, acquisitions or other purposes, and require us to dedicate more cash flow to service our debt than we desire. Our ability to satisfy our indebtedness as required by the terms of our debt will be dependent on, among other things, the successful execution of our long-term strategic plan. Subject to limitations in our debt obligations, we may incur additional debt in the future, for acquisitions or otherwise, and servicing this debt could further limit our cash flow available for operations and distribution to unitholders.

Restrictions in our existing and future debt agreements could limit our ability to make distributions to you or capitalize on acquisition and other business opportunities.

The operating and financial restrictions and covenants in our senior notes, our revolving credit facility and any future financing agreements could restrict our ability to finance future operations or capital needs or to expand or pursue our business activities. For example, our senior notes and our revolving credit facility contain covenants that restrict or limit our ability to:

- enter into a new line of business;
- enter into any agreement of merger or acquisition;
- sell, transfer, assign or convey assets;
- grant certain liens;
- incur or guarantee additional indebtedness;
- make certain loans, advances and investments;
- declare and pay dividends and distributions;
- enter into transactions with affiliates; and
- make voluntary payments or modifications of indebtedness.

In addition, our revolving credit facility contains covenants requiring us to maintain certain financial ratios and tests. These restrictions may also limit our ability to obtain future financings. Our ability to comply with the

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covenants and restrictions contained in our senior notes and revolving credit facility agreement may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions continue to deteriorate, our ability to comply with these covenants may be impaired. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

In addition, our debt obligations limit our ability to make distributions to our unitholders. Our senior notes and revolving credit facility obligations prohibit us from making such distributions if we are in default, including with regard to our revolving credit facility obligations as a result of our failure to maintain specified financial ratios. We cannot assure you that we will maintain these specified ratios and satisfy these tests for distributing available cash from operating surplus.

If we violate any of the restrictions, covenants, ratios or tests in our revolving credit facility agreement or senior notes indenture, the lenders will be able to accelerate the maturity of all borrowings thereunder, cause cross-default and demand repayment of amounts outstanding, and our lenders’ commitment to make further loans to us under the revolving credit facility may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. Any subsequent replacement of our debt obligations or any new indebtedness could have similar or greater restrictions.

Our merchandise and perpetual care trust funds own investments in equity securities, fixed income securities, and mutual funds, which are affected by financial market conditions that are beyond our control.

Pursuant to state law, a portion of the proceeds from pre-need sales of merchandise and services is put into a merchandise trust until such time that the Partnership meets the requirements for releasing trust principal, which is generally delivery of merchandise or performance of services. All investment earnings generated by the assets in the merchandise trusts, including realized gains and losses, generally are deferred until the associated merchandise is delivered or the services are performed.

Also, pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. The perpetual care trust principal does not belong to the Partnership and must remain in this trust into perpetuity while interest and dividends may be released and used to defray cemetery maintenance costs.

Our returns on these investments are affected by financial market conditions that are beyond our control. If the investments in our trust funds experience significant declines, there could be insufficient funds in the trusts to cover the costs of delivering services and merchandise or maintaining cemeteries in the future. We may be required to cover any such shortfall with cash flows from operations, which could have a material adverse effect on our financial condition, results of operations or cash flows. For more information related to our trust investments, refer to our consolidated financial statements in “Item 8,” of this Form 10-K.

If the fair market value of these trusts, plus any other amount due to us upon delivery of the associated contracts, were to decline below the estimated costs to deliver the underlying products and services, we would record a charge to earnings to record a liability for the expected losses on the delivery of the associated contracts.

We may be required to replenish our funeral and cemetery trust funds in order to meet minimum funding requirements, which would have a negative effect on our earnings and cash flow.

In certain states, we have withdrawn allowable distributable earnings including gains prior to the maturity or cancellation of the related contract. Additionally, some states have laws that either require replenishment of investment losses under certain circumstances or impose various restrictions on withdrawals of future earnings when trust fund values drop below certain prescribed amounts. In the event of realized losses or market declines, we may be required to deposit portions or all of these amounts into the respective trusts in some future period.

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Any reductions in the principal or the earnings of the investments held in merchandise and perpetual care trusts could adversely affect our revenues and cash flow.

A substantial portion of our revenue is generated from investment returns that we realize from merchandise and perpetual care trusts. Unstable economic conditions have, at times, caused us to experience declines in the fair value of the assets held in these trusts. Future cash flows could be negatively impacted if we are forced to liquidate assets that are in impaired positions.

We invest primarily for current income. We rely on the interest and dividends paid by the assets in our trusts to provide both revenue and cash flow. Interest income from fixed-income securities is particularly susceptible to changes in interest rates and declines in credit worthiness while dividends from equity securities are susceptible to the issuer's ability to make such payments.

Any decline in the interest rate environment or the credit worthiness of our debt issuers or any suspension or reduction of dividends could have a material adverse effect on our financial condition and results of operations.

In addition, any significant or sustained unrealized investment losses could result in merchandise trusts having insufficient funds to cover our cost of delivering products and services. In this scenario, we would be required to use our operating cash to deliver those products and perform those services, which could decrease our cash available for distribution.

Pre-need sales typically generate low or negative cash flow in the periods immediately following sales, which could adversely affect our ability to make distributions to our unitholders.

When we sell cemetery merchandise and services on a pre-need basis, we pay commissions on the sale to our salespeople and are required by state law to deposit a portion of the sales proceeds into a merchandise trust. In addition, most of our customers finance their pre-need purchases under installment contracts payable over a number of years. Depending on the trust requirements of the states in which we operate, the applicable sales commission rates and the amount of the down payment, our cash flow from sales to customers through installment contracts is typically negative until we have collected the related receivable or until we purchase the products or perform the services and are permitted to withdraw funds we have deposited in the merchandise trust. To the extent we increase pre-need sales, state trust requirements are increased and we delay the performance of the services we sell on a pre-need basis, our cash flow immediately following pre-need sales may be further reduced, and our ability to make distributions to our unitholders could be adversely affected.

The cemetery and funeral home industry continues to be competitive.

We face competition in all of our markets. Most of our competitors are independent operations. Our ability to compete successfully depends on our management's forward vision, timely responses to changes in the business environment, our cemeteries and funeral homes' ability to maintain a good reputation and high professional standards as well as offer products and services at competitive prices. We have historically experienced price competition from independent cemetery and funeral home operators. If we are unable to compete successfully, our financial condition, results of operations and cash flows could be materially adversely affected.

Because fixed costs are inherent in our business, a decrease in our revenues can have a disproportionate effect on our cash flow and profits.

Our business requires us to incur many of the costs of operating and maintaining facilities, land and equipment regardless of the level of sales in any given period. For example, we must pay salaries, utilities, property taxes and maintenance costs on our cemetery properties and funeral homes regardless of the number of interments or funeral services we perform. If we cannot decrease these costs significantly or rapidly when we experience declines in sales, declines in sales can cause our margins, profits and cash flow to decline at a greater rate than the decline in our revenues.

Our failure to attract and retain qualified sales personnel and management could have an adverse effect on our business and financial condition.

Our ability to attract and retain a qualified sales force and other personnel is an important factor in achieving future success. Buying cemetery and funeral home products and services, especially at-need products and services, is very emotional for most customers, so our sales force must be particularly sensitive to our customers' needs. We cannot assure you that we will be successful in our efforts to attract and retain a skilled sales force. If we are unable to maintain a qualified and productive sales force, our revenues may decline and our cash available for distribution may decrease.

Our success also depends upon the services and capabilities of our management team. Management establishes the "tone at the top" by which an environment of ethical values, operating style and management philosophy is fostered. The inability of our senior management team to maintain a proper "tone at the top" or the loss of services of one or more members of senior management as well as the inability to attract qualified managers or other personnel could have a material adverse effect on our business, financial condition, and results of operations. We may not be able to locate or employ on acceptable terms qualified replacements for senior management or key employees if their services were no longer available. We do not maintain key employee insurance on any of our executive officers.

We may not be able to identify, complete, fund or successfully integrate our acquisitions, which could have an adverse effect on our results of operations.

A primary component of our business strategy is to grow through acquisitions of cemeteries and funeral homes. We cannot assure you that we will be able to identify and acquire cemeteries or funeral homes on terms favorable to us or at all. We may face competition from other death care companies in making acquisitions. Historically, we have funded a significant portion of our acquisitions through borrowings. Our ability to make acquisitions in the future may be limited by our inability to secure adequate financing, restrictions under our existing or future debt agreements, competition from third parties or a lack of suitable properties. As of December 31, 2015, we had \$30.5 million of total available borrowing capacity under our revolving credit facility. The revolving credit facility provides for both acquisition draws, which are used primarily to finance acquisitions and acquisition related costs and working capital draws, which are used to finance all other corporate costs. As of December 31, 2015, we had \$105.0 million of working capital draws, which are limited to a borrowing formula of 85% of eligible account receivables. This limit was \$139.0 million at December 31, 2015.

In addition, if we complete acquisitions, we may encounter various associated risks, including the possible inability to integrate an acquired business into our operations, diversion of management's attention and unanticipated problems or liabilities, some or all of which could have a material adverse effect on our operations and financial performance. Also, when we acquire cemeteries that do not have an existing pre-need sales program or a significant amount of pre-need products and services that have been sold but not yet purchased or performed, the operation of the cemetery and implementation of a pre-need sales program after acquisition may require significant amounts of working capital. This may make it more difficult for us to make acquisitions.

If we are not able to respond effectively to changing consumer preferences, our market share, revenues and profitability could decrease.

Future market share, revenues and profits will depend in part on our ability to anticipate, identify and respond to changing consumer preferences. In past years, we have implemented new product and service strategies based on results of customer surveys that we conduct on a continuous basis. However, we may not correctly anticipate or identify trends in consumer preferences, or we may identify them later than our competitors do. In addition, any strategies we may implement to address these trends may prove incorrect or ineffective.

If the trend toward cremation in the United States continues, our revenues may decline which could have an adverse effect on our business and financial condition.

We and other death care companies that focus on traditional methods of interment face competition from the increasing number of cremations in the United States. Industry studies indicate that the percentage of cremations has steadily increased and that cremations are performed for approximately 45% of the deaths in the United States. This percentage is expected to increase to approximately 56% in 2025. Because the products and services associated with cremations, such as niches and urns, produce lower revenues than the products and services associated with traditional interments, a continuing trend toward cremations may reduce our revenues.

Declines in the number of deaths in our markets can cause a decrease in revenues.

Declines in the number of deaths could cause at-need sales of cemetery and funeral home merchandise and services to decline and could cause a decline in the number of pre-need sales, both of which could decrease revenues. Changes in the number of deaths can vary among local markets and from quarter to quarter, and variations in the number of deaths in our markets or from quarter to quarter are not predictable. However, generally, the number of deaths fluctuates with the seasons with more deaths occurring during the winter months primarily resulting from pneumonia and influenza. These variations can cause revenues to fluctuate.

We rely significantly on information technology and any failure, inadequacy, interruption or security lapse of that technology, including any cybersecurity incidents, could harm our ability to operate our business effectively.

Our ability to manage and maintain our internal reports effectively and integration of new business acquisitions depends significantly on our enterprise resource planning system and other information systems. Some of our information technology systems may experience interruptions, delays or cessations of service or produce errors in connection with ongoing systems implementation work. Cybersecurity attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, misappropriation of our confidential or otherwise protected information and corruption of data. The failure of our systems to operate effectively or to integrate with other systems, or a breach in security or other unauthorized access of these systems, may also result in reduced efficiency of our operations and could require significant capital investments to remediate any such failure, problem or breach and to comply with applicable regulations, all of which could adversely affect our business, financial condition and results of operations.

Our business is subject to existing federal and state laws and regulations governing data privacy, security and cybersecurity in the United States. These regulations include privacy and security rules regarding employee-related and third-party information when a data breach results in the release of personally identifiable information, as well as those rules imposed by the banking and payment card industries to protect against identity theft and fraud in connection with the collection of payments from customers. Incidents in which we fail to protect our customers' information against security breaches could result in monetary damages against us and could otherwise damage our reputation, harm our businesses and adversely impact our results of operations. If we fail to protect our own information, including information about our employees, we could experience significant costs and expenses as well as damage to our reputation.

The financial condition of third-party insurance companies that fund our pre-need funeral contracts may impact our financial condition, results of operations, or cash flows.

Where permitted, customers may arrange their pre-need funeral contract by purchasing a life insurance or annuity policy from third-party insurance companies. The customer/policy holder assigns the policy benefits to our funeral home to pay for the pre-need funeral contract at the time of need. For preneed funeral contracts funded through life insurance contracts, we receive commission from third-party insurance companies.

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Additionally, there is an increasing death benefit associated with the contract that may vary over the contract life. There is no guarantee that the increasing death benefit will cover future increases in the cost of providing a funeral service. If the financial condition of the third-party insurance companies were to deteriorate materially because of market conditions or otherwise, there could be an adverse effect on our ability to collect all or part of the proceeds of the life insurance or annuity policy, including the annual increase in the death benefit. Failure to collect such proceeds could have a material adverse effect on our financial condition, results of operations, or cash flows.

REGULATORY AND LEGAL RISKS

Our operations are subject to regulation, supervision and licensing under numerous federal, state and local laws, ordinances and regulations, including extensive regulations concerning trusts/escrows, pre-need sales, cemetery ownership, funeral home ownership, marketing practices, crematories, environmental matters and various other aspects of our business.

If state laws or interpretations of existing state laws change or if new laws are enacted, we may be required to increase trust/escrow deposits or to alter the timing of withdrawals from trusts/escrows, which may have a negative impact on our revenues and cash flow.

We are required by most state laws to deposit specified percentages of the proceeds from our pre-need and at-need sales of interment rights into perpetual care trusts and generally proceeds from our pre-need sales of cemetery and funeral home products and services into merchandise trusts/escrows. These laws also determine when we are allowed to withdraw funds from those trusts/escrows. If those laws or the interpretations of those laws change or if new laws are enacted, we may be required to deposit more of the sales proceeds we receive from our sales into the trusts/escrows or to defer withdrawals from the trusts/escrows, thereby decreasing our cash flow until we are permitted to withdraw the deposited amounts. This could also reduce our cash available for distribution.

If state laws or their interpretations change, or new laws are enacted relating to the ownership of cemeteries and funeral homes, our business, financial condition and results of operations could be adversely affected.

Some states require cemeteries to be organized in the nonprofit form but permit those nonprofit entities to contract with for-profit companies for management services. If state laws change or new laws are enacted that prohibit us from managing cemeteries in those states, then our business, financial condition and results of operations could be adversely affected. Some state laws restrict ownership of funeral homes to licensed funeral directors. If state laws change or new laws are enacted that prohibit us from managing funeral homes in those instances, then our business, financial condition and results of operations could be adversely affected.

We are subject to legal restrictions on our marketing practices that could reduce the volume of our sales, which could have an adverse effect on our business, operations and financial condition.

The enactment or amendment of legislation or regulations relating to marketing activities may make it more difficult for us to sell our products and services. For example, the federal “do not call” legislation has adversely affected our ability to market our products and services using telephone solicitation by limiting whom we may call and increasing our costs of compliance. As a result, we rely heavily on direct mail marketing and telephone follow-up with existing contacts. Additional laws or regulations limiting our ability to market through direct mail, over the telephone, through Internet and e-mail advertising or door-to-door may make it difficult to identify potential customers, which could increase our costs of marketing. Both increases in marketing costs and restrictions on our ability to market effectively could reduce our revenues and could have an adverse effect on our business, operations and financial condition, as well as our ability to make cash distributions to you.

We are subject to environmental and health and safety laws and regulations that may adversely affect our operating results.

Our cemetery and funeral home operations are subject to numerous federal, state and local environmental and health and safety laws and regulations. We may become subject to liability for the removal of hazardous substances and solid waste under CERCLA and other federal and state laws. Under CERCLA and similar state laws, strict, joint and several liability may be imposed on various parties, regardless of fault or the legality of the original disposal activity. Our funeral home, cemetery and crematory operations include the use of some materials that may meet the definition of “hazardous substances” under CERCLA or state laws and thus may give rise to liability if released to the environment through a spill or release. We cannot assure you that we will not face liability under CERCLA or state laws for any environmental conditions at our facilities, and we cannot assure you that these liabilities will not be material. Our cemetery and funeral home operations are subject to regulation of underground and above ground storage tanks and laws managing the disposal of solid waste. If new requirements under local, state or federal laws were to be adopted, and were more stringent than existing requirements, new permits or capital expenditures may be required.

Our funeral home operations are generally subject to federal and state laws and regulations regarding the disposal of medical waste, and are also subject to regulation by federal, state or local authorities under the EPCRA. We are required by EPCRA to maintain and report to the regulatory authorities, if applicable thresholds are met, a list of any hazardous chemicals and extremely hazardous substances, which are stored or used at our facilities.

Our crematory operations may be subject to regulation under the federal Clean Air Act and any analogous state laws. If new regulations applicable to our crematory operations were to be adopted, they could require permits or capital expenditures that could increase our costs of operation and compliance. We are also subject to the Clean Water Act and corresponding state laws, as well as local requirements applicable to the treatment of sanitary and industrial wastewaters. Many of our funeral homes discharge their wastewaters into Publicly Operated Treatment Works, or POTWs, and may be subject to applicable limits as to contaminants that may be included in the discharge of their wastewater. Our cemeteries typically discharge their wastewaters from sanitary use and maintenance operations conducted onsite into septic systems, which are regulated under state and local laws. If there are violations of applicable local, state or federal laws pertaining to our discharges of wastewaters, we may be subject to penalties as well as an obligation to conduct required remediation.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

From time to time, we are party to various claims and legal proceedings, including, but not limited to, employment, cemetery or burial practices, and other litigation. We are subject to class or collective actions under the wage and hours provisions of the Fair Labor Standards Act, including, but not limited to, national and state class or collective actions, or putative class or collective actions. Generally, plaintiffs in class action litigation may seek to recover amounts, which may be indeterminable for some period of time although potentially large. Adverse outcomes in the pending cases may result in monetary damages or injunctive relief against us, as litigation and other claims are subject to inherent uncertainties. For each of our outstanding legal matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies, and the likelihood of an unfavorable outcome. We base our assessments, estimates and disclosures on the information available to us at the time. Actual outcomes or losses may differ materially from assessments and estimates. Costs to defend litigation claims and legal proceedings and the cost of actual settlements, judgments or resolutions of these claims and legal proceedings may negatively affect our business and financial performance. We hold insurance policies that may reduce cash outflows with respect to an adverse outcome of certain litigation matters, but exclude certain claims, such as claims arising under the Fair Labor Standards Act. To the extent that our management will be required to participate in or otherwise devote substantial amounts of time to the defense of these matters, such activities would result in the diversion of our management resources from our business operations and the implementation of our business strategy, which may negatively impact our financial

position and results of operations. Any adverse publicity resulting from allegations made in litigation claims or legal proceedings may also adversely affect our reputation, which in turn, could adversely affect our results of operations.

RISK FACTORS RELATED TO AN INVESTMENT IN US

Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which may permit them to favor their own interests to your detriment.

GP Holdings, as the sole member of our general partner, owns all of the Class A units of our general partner. Conflicts of interest may arise between GP Holdings and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of the unitholders. These conflicts include, among others, the following situations:

- The board of directors of our general partner is elected by GP Holdings, except that Messrs. Miller and Shane acting collectively have the right to designate one director who will be Lawrence R. Miller so long as he serves as the Chief Executive Officer of StoneMor GP or desires to serve as a director of StoneMor GP and thereafter will be William R. Shane. Although our general partner has a fiduciary duty to manage us in good faith, the directors of our general partner also have a fiduciary duty to manage our general partner in a manner beneficial to GP Holdings, as the sole member of our general partner. By purchasing common units, unitholders will be deemed to have consented to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable law.
- Our partnership agreement limits the liability of our general partner, reduces its fiduciary duties and restricts the remedies available to unitholders for actions that might, without the limitations, constitute breaches of fiduciary duty.
- Our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional limited partner interests and reserves, each of which can affect the amount of cash that is distributed to unitholders.
- Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf.
- Our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates.
- In some instances, our general partner may cause us to borrow funds or sell assets outside of the ordinary course of business in order to permit the payment of distributions, even if the purpose or effect of the borrowing is to make distributions in respect of incentive distribution rights.

Holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors, which could reduce the price at which the common units will trade.

Unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders did not select our general partner or elect the board of directors of our general partner and will have no right to select our general partner or elect its board of directors in the future. We are not required to have a majority of independent directors on our board. The board of directors of our general partner, including the independent directors, is not chosen by our unitholders. GP Holdings, as the sole member of StoneMor GP, is entitled to elect all directors of StoneMor GP, except that Messrs. Miller and Shane acting collectively have the right to designate one director. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

Our partnership agreement restricts the voting rights of unitholders owning 20% or more of our common units.

Unitholders' voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than the general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot be voted on any matter. In addition, the partnership agreement contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

Our general partner can transfer its ownership interest in us without unitholder consent under certain circumstances, and the control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in the partnership agreement on the ability of the owners of our general partner to transfer their ownership interest in the general partner to a third party. The new owner of our general partner would then be in a position to replace the board of directors and officers of the general partner with its own choices and thereby influence the decisions taken by the board of directors and officers.

We may issue additional common units without your approval, which would dilute your existing ownership interests.

We may issue an unlimited number of limited partner interests of any type without the approval of the unitholders.

The issuance of additional common units or other equity securities of equal or senior rank will have the following effects:

- your proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- the relative voting strength of each previously outstanding unit may be diminished;
- the market price of the common units may decline; and
- the ratio of taxable income to distributions may increase.

Cost reimbursements due to our general partner may be substantial and will reduce the cash available for distribution to you.

Prior to making any distribution on the common units, we will reimburse our general partner and its affiliates for all expenses they incur on our behalf. The reimbursement of expenses could adversely affect our ability to pay cash distributions to you. Our general partner determines the amount of these expenses. In addition, our general partner and its affiliates may provide us with other services for which we will be charged fees as determined by our general partner.

In establishing cash reserves, our general partner may reduce the amount of available cash for distribution to you.

Subject to the limitations on restricted payments contained in the indenture governing the 7.875% Senior Notes due 2021 and other indebtedness, the master partnership distributes all of our "available cash" each quarter to its limited partners and general partner. "Available cash" is defined in the master limited partnership's

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partnership agreement, and it generally means, for each fiscal quarter, all cash and cash equivalents on hand on the date of determination for that quarter less the amount of cash reserves established at the discretion of the general partner to:

- provide for the proper conduct of our business;
- comply with applicable law, the terms of any of our debt instruments or other agreements; or
- provide funds for distributions to its unitholders and general partner for any one or more of the next four calendar quarters.

These reserves will affect the amount of cash available for distribution to you.

Our general partner has a limited call right that may require you to sell your common units at an undesirable time or price.

If, at any time, our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the remaining common units held by unaffiliated persons at a price not less than their then-current market price. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon the sale of your common units.

You may be required to repay distributions that you have received from us.

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Assignees who become substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership. However, assignees are not liable for obligations unknown to the assignee at the time the assignee became a limited partner if the liabilities could not be determined from the partnership agreement. Liabilities to partners on account of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

TAX RISKS TO COMMON UNITHOLDERS

Our tax treatment depends on our status as a partnership for federal income tax purposes as well as our not being subject to a material amount of entity-level taxation by individual states. If the IRS were to treat us as a corporation for federal income tax purposes or we were to become subject to additional amounts of entity-level taxation for state tax purposes, it would reduce the amount of cash available for distribution to you and payments on our debt obligation .

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes.

Despite the fact that we are organized as a limited partnership under Delaware law, we would be treated as a corporation for U.S. federal income tax purposes unless we satisfy a “qualifying income” requirement. Based upon our current operations, we believe we satisfy the qualifying income requirement. However, no ruling has been or will be requested regarding our treatment as a partnership for U.S. federal income tax purposes. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to taxation as an entity.

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If we were treated as a corporation for U.S. federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely be liable for state income tax at varying rates. If we were required to pay tax on our taxable income, it would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units. Moreover, treatment of us as a corporation could materially and adversely affect our ability to make payments on our debt obligations.

At the state level, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. Imposition of such a tax on us by any state will reduce the cash available for distribution to you and payments on our debt obligations.

The tax treatment of publicly traded partnerships or an investment in our units could be subject to potential legislative, judicial or administrative changes or differing interpretations, possibly applied on a retroactive basis .

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial changes or differing interpretations at any time. For example, from time to time, members of Congress and the President propose and consider substantive changes to the existing U.S. federal income tax laws that affect publicly traded partnerships, including the elimination of the exception upon which we rely for our treatment as a partnership for U.S. federal income tax purposes. We are unable to predict whether any of these changes or other proposals will be reintroduced or will ultimately be enacted. Any such changes could negatively impact the value of an investment in our common units. Any modification to U.S. federal income tax laws may be applied retroactively and could make it more difficult or impossible for us to meet the qualifying income requirement to be treated as a partnership for U.S. federal income tax purposes.

We have subsidiaries that will be treated as corporations for federal income tax purposes and subject to corporate-level income taxes.

Some of our operations are conducted through subsidiaries that are organized as C corporations. Accordingly, these corporate subsidiaries are subject to corporate-level tax, which reduces the cash available for distribution to our partnership and, in turn, to you. If the IRS were to successfully assert that these corporations have more tax liability than we anticipate or legislation was enacted that increased the corporate tax rate, the cash available for distribution could be further reduced.

Audit adjustments to the taxable income of our corporate subsidiaries for prior taxable years may reduce the net operating loss carryforwards of such subsidiaries and thereby increase their tax liabilities for future taxable periods .

Our business was conducted by an affiliated group of corporations during periods prior to the completion of our initial public offering and, since the initial public offering, continues to be conducted in part by corporate subsidiaries. The amount of cash distributions we receive from our corporate subsidiaries over the next several years will depend in part upon the amount of net operating losses available to those subsidiaries to reduce the amount of income subject to federal income tax they would otherwise pay. These net operating losses will begin to expire in 2017. The amount of net operating losses available to reduce the income tax liability of our corporate subsidiaries in future taxable years could be reduced as a result of audit adjustments with respect to prior taxable years. Notwithstanding any limited indemnification rights we may have, any increase in the tax liabilities of our corporate subsidiaries because of a reduction in net operating losses will reduce our cash available for distribution.

Changes in the ownership of our units may result in annual limitations on our corporate subsidiaries' ability to use their net operating loss carryforwards, which could increase their tax liabilities and decrease cash available for distribution in future taxable periods.

Our corporate subsidiaries' ability to use their net operating loss carryforwards may be limited if changes in the ownership of our units causes our corporate subsidiaries to undergo an "ownership change" under applicable provisions of the Internal Revenue Code. In general, an ownership change will occur if the percentage of our units, based on the value of the units, owned by certain unitholders or groups of unitholders increases by more than fifty percentage points during a running three-year period. Recent changes in our ownership may result in an "ownership change." A future ownership change may result from issuances of our units, sales or other dispositions of our units by certain significant unitholders, certain acquisitions of our units, and issuances, sales or other dispositions or acquisitions of interests in significant unitholders, and we will have little to no control over any such events. To the extent that an annual net operating loss limitation for any one year does restrict the ability of our corporate subsidiaries to use their net operating loss carryforwards, an increase in tax liabilities of our corporate subsidiaries could result, which would reduce the amount of cash available for distribution to you.

If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted, and the cost of any IRS contest will reduce our cash available for distribution to you. Recently enacted legislation alters the procedures for assessing and collecting taxes due for taxable years beginning after December 31, 2017, in a manner that could substantially reduce cash available for distribution to you.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

Recently enacted legislation applicable to us for taxable years beginning after December 31, 2017 alters the procedures for auditing large partnerships and also alters the procedures for assessing and collecting taxes due (including applicable penalties and interest) as a result of an audit. Unless we are eligible to (and choose to) elect to issue revised Schedules K-1 to our partners with respect to an audited and adjusted return, the IRS may assess and collect taxes (including any applicable penalties and interest) directly from us in the year in which the audit is completed under the new rules. If we are required to pay taxes, penalties and interest as the result of audit adjustments, cash available for distribution to our unitholders may be substantially reduced. In addition, because payment would be due for the taxable year in which the audit is completed, unitholders during that taxable year would bear the expense of the adjustment even if they were not unitholders during the audited taxable year.

You may be required to pay taxes on income from us even if you do not receive any cash distributions from us .

Because you will be treated as a partner to whom we will allocate taxable income that could be different in amount than the cash we distribute, you may be required to pay federal income taxes and, in some cases, state and local income taxes on your share of our taxable income even if you receive no cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the actual tax liability resulting from that income.

Tax gain or loss on disposition of our common units could be more or less than expected.

If you sell your common units, you will recognize a gain or loss equal to the difference between your amount realized and your tax basis in those common units. Because distributions in excess of your allocable

share of our total net taxable income decrease your tax basis in your common units, the amount, if any, of such prior excess distributions with respect to the units you sell will, in effect, become taxable income to you if you sell such units at a price greater than your tax basis in those units, even if the price you receive is less than your original cost. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if you sell your units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

A substantial portion of the amount realized from the sale of your common units, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. Thus, you may recognize both ordinary income and capital loss from the sale of your units if the amount realized on the sale of your units is less than your adjusted basis in the units. Net capital loss may only offset capital gains and, in the case of individuals, up to \$3,000 of ordinary income per year. In the taxable period in which you sell your units, you may recognize ordinary income from our allocation of income and gain to you prior to the sale and from recapture items that generally cannot be offset by any capital loss recognized upon the sale of units.

Tax-exempt entities and non-U.S. persons face unique tax issues from owning common units that may result in adverse tax consequences to them.

Investment in common units by tax-exempt entities, such as employee benefit plans individual retirement accounts (known as IRAs) and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file United States federal tax returns and pay tax on their share of our taxable income. If you are a tax-exempt entity or a non-U.S. person, you should consult your tax advisor before investing in our common units.

We treat each purchaser of common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units .

Due to a number of factors, including our inability to match transferors and transferees of common units, we take depreciation and amortization positions that may not conform to all aspects of the existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns.

We have adopted certain valuation methodologies in determining a unitholder's allocations of income, gain, loss and deduction. The IRS may challenge these methodologies or the resulting allocations, which could adversely affect the value of our common units.

In determining the items of income, gain, loss and deduction allocable to our unitholders, we must routinely determine the fair market value of our assets. Although we may, from time to time, consult with professional appraisers regarding valuation matters, we make many fair market value estimates using a methodology based on the market value of our common units as a means to measure the fair market value of our assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction.

A successful IRS challenge to these methods or allocations could adversely affect the timing or amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes .

We will be considered to have terminated our partnership for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once. Our termination would, among other things, result in the closing of our taxable year for all unitholders which would result in our filing two tax returns for one fiscal year and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a calendar year, the closing of our taxable year may result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. The IRS has recently announced a relief procedure whereby if a publicly traded partnership that has technically terminated requests and the IRS grants special relief, among other things, the partnership will be required to provide only a single Schedule K-1 to unitholders for the tax years in which the termination occurs.

A unitholder whose units are the subject of a securities loan (e.g., a loan to a “short seller” to cover a short sale of units) may be considered as having disposed of those units. If so, the unitholder would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition.

Because there are no specific rules governing the U.S. federal income tax consequence of loaning a partnership interest, a unitholder whose units are the subject of a securities loan may be considered as having disposed of the loaned units. In that case, you may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their units.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. Nonetheless, we allocate certain deductions for depreciation of capital additions based upon the date the underlying property is put in service. The U.S. Department of the Treasury recently adopted final Treasury Regulations allowing a similar monthly simplifying convention for taxable years beginning on or after August 3, 2015. However, such regulations do not specifically authorize the use of the proration method we have previously adopted, and may not specifically authorize all aspects of our proration method thereafter. If the IRS were to challenge are proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

You will likely be subject to state and local taxes and filing requirements in jurisdictions where you do not live as a result of an investment in units.

In addition to federal income taxes, you will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various

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jurisdictions in which we do business or own property, even if you do not live in any of those jurisdictions. You will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. We own assets or conduct business in the majority of states and in Puerto Rico. Most of these various jurisdictions currently impose, or may in the future impose, an income tax on individuals, corporations and other entities. As we make acquisitions or expand our business, we may own assets or do business in additional states that impose a personal income tax. It is your responsibility to file all United States federal, state and local tax returns.

ITEM 2. PROPERTIES

CEMETERIES AND FUNERAL HOMES

The following table summarizes the distribution of our cemetery and funeral home properties by state as of December 31, 2015 as well as the weighted average estimated remaining sales life in years for our cemeteries based upon the number of interment spaces sold during 2015:

	<u>Cemeteries</u>	<u>Funeral Homes</u>	<u>Cemetery Net Acres</u>	<u>Weighted Average Estimated Net Sales Life in Years</u>	<u>Number of Interment Spaces Sold in 2015</u>
Alabama	9	6	305	256	992
Arkansas	—	2	—	—	—
California	7	8	270	51	1,399
Colorado	2	—	12	359	39
Delaware	1	—	12	191	24
Florida	9	28	278	97	1,187
Georgia	7	—	135	211	572
Hawaii	1	—	6	201	—
Illinois	11	4	438	56	3,673
Indiana	11	5	1,013	399	1,263
Iowa	1	—	89	152	207
Kansas	3	2	84	270	172
Kentucky	2	—	59	140	204
Maryland	10	1	716	133	1,767
Michigan	13	—	818	392	1,411
Mississippi	2	1	44	184	99
Missouri	6	5	277	347	506
New Jersey	6	—	341	46	1,482
North Carolina	19	2	619	162	2,565
Ohio	14	2	953	324	1,946
Oregon	7	11	162	252	558
Pennsylvania	68	10	5,319	339	7,897
Puerto Rico	7	5	209	236	498
Rhode Island	2	—	70	1,124	23
South Carolina	8	2	395	310	596
Tennessee	11	5	657	257	1,561
Virginia	34	2	1,183	191	3,201
Washington	3	2	33	45	174
West Virginia	33	2	1,404	516	1,451
Total	<u>307</u>	<u>105</u>	<u>15,901</u>	<u>237</u>	<u>35,467</u>

We calculated estimated remaining sales life for each of our cemeteries by dividing the number of unsold interment spaces by the number of interment spaces sold at that cemetery in the most recent year. For purposes of

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estimating remaining sales life, we defined unsold interment spaces as unsold burial lots and unsold spaces in existing mausoleum crypts as of December 31, 2015. We defined interment spaces sold in 2015 as:

- the number of burial lots sold, net of cancellations;
- the number of spaces sold in existing mausoleum crypts, net of cancellations; and
- the number of spaces sold in mausoleum crypts that we have not yet built, net of cancellations.

We count the sale of a double-depth burial lot as the sale of two interment spaces since a double-depth burial lot includes two interment rights. For the same reason we count an unsold double-depth burial lot as two unsold interment spaces. Because our sales of cremation niches were immaterial, we did not include cremation niches in the calculation of estimated remaining sales life. When calculating estimated remaining sales life, we did not take into account any future cemetery expansion. In addition, sales of an unusually high or low number of interment spaces in a particular year affect our calculation of estimated remaining sales life. Future sales may differ from previous years' sales, and actual remaining sales life may differ from our estimates. We calculated the weighted average estimated remaining sales life by aggregating unsold interment spaces and interment spaces sold on a state-by-state or company-wide basis. Based on the number of interment spaces sold in 2015, we estimate that our cemeteries have an aggregate weighted average remaining sales life of 237 years.

The following table shows the cemetery properties that we owned or operated as of December 31, 2015, grouped by estimated remaining sales life:

	0 - 25 years	26 - 49 years	50 - 100 years	101 - 150 years	151 - 200 years	Over 200 years
Alabama	—	1	3	—	1	4
California	2	2	1	1	—	1
Colorado	—	—	—	—	—	2
Delaware	—	—	—	—	1	—
Florida	—	2	4	—	2	1
Georgia	—	1	1	1	—	4
Hawaii	—	—	—	—	—	1
Illinois	1	1	—	3	1	5
Indiana	—	1	—	—	—	10
Iowa	—	—	—	—	1	—
Kansas	—	—	—	—	2	1
Kentucky	—	1	—	—	—	1
Maryland	1	2	1	2	—	4
Michigan	—	1	2	—	—	10
Mississippi	—	—	—	—	1	1
Missouri	—	—	—	—	1	5
New Jersey	1	4	—	—	—	1
North Carolina	—	1	6	1	1	10
Ohio	—	—	3	1	—	10
Oregon	—	—	—	3	—	4
Pennsylvania	9	1	7	3	3	45
Puerto Rico	1	1	—	1	—	4
Rhode Island	—	—	—	—	—	2
South Carolina	—	—	1	1	—	6
Tennessee	—	1	—	—	3	7
Virginia	2	—	6	5	3	18
Washington	1	1	1	—	—	—
West Virginia	4	—	1	3	2	23
Total	22	21	37	25	22	180

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We believe that we have either satisfactory title to or valid rights to use all of our cemetery properties. The 31 cemetery properties that we manage or operate under long-term lease, operating or management agreements have nonprofit owners. We believe that these cemeteries have either satisfactory title to or valid rights to use these cemetery properties and that we have valid rights to use these properties under the long-term agreements. Although title to the cemetery properties is subject to encumbrances such as liens for taxes, encumbrances securing payment obligations, easements, restrictions and immaterial encumbrances, we do not believe that any of these burdens should materially detract from the value of these properties or from our interest in these properties, nor should these burdens materially interfere with the use of our cemetery properties in the operation of our business as described above. Many of our cemetery properties are located in zoned regions, and we believe that cemetery use is permitted for those cemeteries either (1) as expressly permitted under applicable zoning ordinances; (2) through a special exception to applicable zoning designations; or (3) as an existing non-conforming use.

OTHER

Our home office is located in a 37,000 square foot leased space in Levittown, Pennsylvania, with a lease that expires in 2020. We are also tenants under various leases covering office spaces other than our corporate headquarters.

During 2015, we entered into a lease agreement for a new corporate office location in a 57,000 square foot leased space in Trevose, Pennsylvania. The lease term commenced on February 1, 2016 and will expire on July 31, 2028, with certain contractual renewal options.

ITEM 3. LEGAL PROCEEDINGS

We and certain of our subsidiaries are parties to legal proceedings that have arisen in the ordinary course of business. We do not expect these matters to have a material adverse effect on our consolidated financial position, results of operations, or cash flows. We carry insurance with coverage and coverage limits that we believe to be customary in the funeral home and cemetery industries. Although there can be no assurance that such insurance will be sufficient to protect us against all contingencies, we believe that our insurance protection is reasonable in view of the nature and scope of our operations.

PART II**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****MARKET INFORMATION**

Our common units are listed on the New York Stock Exchange ("NYSE") under the symbol "STON". As of February 12, 2016, there were 42,740 beneficial unitholders, 54 unitholders of record and 32,648,469 common units outstanding, representing a 98.79% limited partner interest in us. The following table sets forth the high and low sale prices of our common units for the periods indicated, based on the daily composite listing of common unit transactions for the NYSE, as applicable, and cash distributions per unit declared on our common units.

Quarter Ended	Price range		Cash Distributions per Common Unit Declared (1)
	High	Low	
March 31, 2014	\$26.69	\$21.75	\$ 0.6000
June 30, 2014	\$25.30	\$23.35	\$ 0.6000
September 30, 2014	\$26.35	\$23.50	\$ 0.6100
December 31, 2014	\$27.14	\$24.00	\$ 0.6200
March 31, 2015	\$29.13	\$25.65	\$ 0.6300
June 30, 2015	\$30.92	\$28.73	\$ 0.6400
September 30, 2015	\$32.06	\$22.04	\$ 0.6500
December 31, 2015	\$31.15	\$25.90	\$ 0.6600

(1) Cash distributions per common unit declared during each quarter were paid within 45 days of the close of the previous quarter.

See "Item 7" of this Form 10-K for a discussion regarding our cash distribution policy.

On May 21, 2014, we sold to American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company ("ACII") 2,255,947 common units (the "ACII Units") at an aggregate purchase price of \$55.0 million pursuant to a Common Unit Purchase Agreement (the "Common Unit Purchase Agreement"), dated May 19, 2014, by and between ACII and us. A trustee of the trust established for the pecuniary benefit of ACII has effective voting and investment power over approximately 67.03% of membership interests in GP Holdings. Pursuant to the Common Unit Purchase Agreement, commencing with the quarter ending June 30 2014, the ACII Units are entitled to receive distributions equal to those paid on the common units generally. Through the quarter ending June 30, 2018, such distributions may be paid in cash, paid-in-kind ("PIK") common units issued to ACII in lieu of cash distributions, or a combination of cash and PIK Units, as determined by us at our sole discretion.

If we elect to pay cash distributions through the issuance of PIK Units, the number of common units to be issued in connection with a quarterly cash distribution will be the quotient of (i) the amount of the quarterly cash distribution paid on the common units by (ii) the volume-weighted average price of the common units for the thirty (30) trading days immediately preceding the date the quarterly cash distribution is declared with respect to the common units. Beginning with the quarterly cash distribution payable with respect to the quarter ending September 30, 2018, the ACII Units will receive cash distributions on the same basis as all other common units and we will no longer have the ability to elect to pay quarterly cash distributions in PIK Units. We issued 204,804 PIK Units to ACII in lieu of cash distributions of \$5.8 million during the year ended December 31, 2015. For information concerning common units authorized for issuance under our long-term incentive plan, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

ITEM 6. SELECTED FINANCIAL DATA

The following tables present selected consolidated financial and operating data of the Partnership for the periods and as of the dates indicated derived from our audited consolidated financial statements. The following tables should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited historical consolidated financial statements and accompanying notes thereto set forth in this Annual Report on Form 10-K. Further, data for the 2013 and 2011 years has been recast to retrospectively reflect adjustments made to our initial assessment of the net values of assets and liabilities acquired in acquisitions.

	As of and for the Years Ended December 31,				
	2015	2014	2013	2012	2011
(in thousands, except for per unit data)					
STATEMENT OF OPERATIONS DATA:					
Revenues:					
Cemetery:					
Merchandise	\$ 131,862	\$ 132,355	\$ 110,673	\$ 114,025	\$ 108,088
Services	56,243	51,827	44,054	46,094	46,995
Investment and other	59,765	55,217	46,959	46,808	42,901
Funeral home:					
Merchandise	26,722	21,060	18,922	15,551	12,810
Services	31,048	27,626	26,033	20,128	17,594
Total revenues	<u>305,640</u>	<u>288,085</u>	<u>246,641</u>	<u>242,606</u>	<u>228,388</u>
Costs and Expenses:					
Cost of goods sold	38,924	33,652	27,859	28,101	26,115
Cemetery expense	71,296	64,672	57,566	55,410	57,145
Selling expense	58,884	55,277	47,832	46,878	45,291
General and administrative expense	36,371	35,110	31,873	28,928	29,544
Corporate overhead	38,609	34,723	29,926	31,292	28,370
Depreciation and amortization	12,803	11,081	9,548	9,431	8,534
Funeral home expenses:					
Merchandise	6,928	6,659	5,569	5,200	4,473
Services	22,959	20,470	19,190	14,574	11,717
Other	17,526	12,581	10,895	8,951	7,364
Total cost and expenses	<u>304,300</u>	<u>274,225</u>	<u>240,258</u>	<u>228,765</u>	<u>218,553</u>
Operating income	1,340	13,860	6,383	13,841	9,835
Gain on acquisitions and divestitures	1,540	656	2,685	122	92
Gain on settlement agreement, net	—	888	12,261	1,737	—
Legal settlement	(3,135)	—	—	—	—
Loss on early extinguishment of debt	—	(214)	(21,595)	—	(4,463)
Loss on impairment of long-lived assets	(296)	(440)	—	—	—
Interest expense	(22,585)	(21,610)	(21,070)	(20,503)	(19,198)
Loss before income taxes	(23,136)	(6,860)	(21,336)	(4,803)	(13,734)
Income tax benefit (expense)	(1,108)	(3,913)	2,304	1,790	4,019
Net loss	<u>\$ (24,244)</u>	<u>\$ (10,773)</u>	<u>\$ (19,032)</u>	<u>\$ (3,013)</u>	<u>\$ (9,715)</u>
Net loss per limited partner unit (basic and diluted)	<u>\$ (0.79)</u>	<u>\$ (0.40)</u>	<u>\$ (0.89)</u>	<u>\$ (0.15)</u>	<u>\$ (0.50)</u>
BALANCE SHEET DATA (at period end):					
Cemetery property	\$ 342,639	\$ 339,848	\$ 316,469	\$ 309,980	\$ 298,938
Total assets	\$ 1,686,125	\$ 1,690,375	\$ 1,466,035	\$ 1,334,487	\$ 1,239,941
Deferred cemetery revenues, net	\$ 637,536	\$ 643,408	\$ 579,993	\$ 497,861	\$ 441,678
Total debt	\$ 318,839	\$ 278,540	\$ 283,624	\$ 245,711	\$ 186,505
Total partners’ capital	\$ 183,678	\$ 208,762	\$ 107,520	\$ 135,182	\$ 180,279

	As of and for the Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except for per unit data)				
CASH FLOW DATA:					
Net cash flow provided by operating activities	\$ 4,062	\$ 19,448	\$ 35,077	\$ 31,896	\$ 5,466
Net cash flow used in investing activities	\$(34,139)	\$(123,658)	\$(26,697)	\$(39,948)	\$(29,186)
Net cash flow provided by (used in) financing activities	\$ 34,829	\$ 102,436	\$ (4,151)	\$ 3,940	\$ 28,243
Change in assets and liabilities:					
Net cash flow used in the change to merchandise trust assets	\$(52,332)	\$ (28,828)	\$(36,919)	\$(11,806)	\$(23,889)
Cash paid for capital expenditures	\$(15,339)	\$ (14,574)	\$(12,752)	\$(11,972)	\$(13,166)

	Years Ended December 31,				
	2015	2014	2013	2012	2011
OPERATING DATA:					
Interments performed	54,837	50,566	45,470	45,128	45,236
Interment rights sold (1)					
Lots	33,262	31,774	27,339	26,638	26,403
Mausoleum crypts (including pre-construction)	2,205	2,186	2,108	2,206	2,518
Niches	1,619	1,466	1,096	985	1,126
Net interment rights sold (1)	37,086	35,426	30,543	29,829	30,047
Number of cemetery contracts written	113,696	103,859	97,220	96,308	100,289
Cemetery contract revenues, in thousands	\$ 262,383	\$ 238,331	\$ 214,857	\$ 207,783	\$ 202,290
Average amount per contract	\$ 2,308	\$ 2,295	\$ 2,210	\$ 2,157	\$ 2,017
Number of pre-need cemetery contracts written	52,228	48,585	48,272	47,186	49,533
Pre-need cemetery contract revenues, in thousands (1)	\$ 158,806	\$ 145,607	\$ 134,857	\$ 128,437	\$ 122,789
Average amount per pre-need contract	\$ 3,041	\$ 2,997	\$ 2,794	\$ 2,722	\$ 2,479
Number of at-need cemetery contracts written	61,468	55,274	48,948	49,122	50,756
At-need cemetery contract revenues, in thousands (1)	\$ 103,577	\$ 92,724	\$ 80,000	\$ 79,346	\$ 79,501
Average amount per at-need contract	\$ 1,685	\$ 1,678	\$ 1,634	\$ 1,615	\$ 1,566

(1) Net of cancellations. Sales of double-depth burial lots are counted as two sales.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis presented below provides information to assist in understanding our financial condition and results of operations. This discussion should be read in conjunction with “Item 6: Selected Financial Data” and “Item 8: Financial Statements and Supplementary Data”, which contains our consolidated financial statements.

The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. Forward-looking statements speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and in “Item 1A: Risk Factors”. We believe the assumptions underlying the consolidated financial statements are reasonable.

BUSINESS OVERVIEW

We are a publicly-traded Delaware master-limited partnership (“MLP”) and provider of funeral and cemetery products and services in the death care industry in the United States. As of December 31, 2015, we operated 307 cemeteries in 27 states and Puerto Rico, of which 276 are owned and 31 are operated under lease, management or operating agreements. We also owned and operated 105 funeral homes in 19 states and Puerto Rico.

FINANCIAL PRESENTATION

Our consolidated balance sheets at December 31, 2015 and December 31, 2014, and the consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 include our accounts and our wholly-owned subsidiaries. Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the consolidated balance sheets and related consolidated statements of operations. Actual balances and results could be different from those estimates. All significant intercompany transactions and balances have been eliminated in the consolidation of the financial statements.

RECENT DEVELOPMENTS

Acquisition Activity

During the year ended December 31, 2015, we acquired three cemeteries in Illinois, one cemetery in Florida, three funeral homes in Illinois and four funeral homes in Florida for an aggregate purchase price of \$19.7 million.

Public Offering of Common Units

On July 10, 2015, we completed a follow-on public offering of 2,415,000 common units at a public offering price of \$29.63 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately \$67.9 million. The proceeds were utilized to pay down outstanding borrowings under our credit facility.

ATM Equity Program

On November 19, 2015, we entered into an equity distribution agreement (“ATM Equity Program”) with a group of banks (the “Agents”) whereby we may sell, from time to time, common units representing limited partner interests having an aggregate offering price of up to \$100,000,000. Sales of common units, if any, may be made in negotiated transactions or transactions that are deemed to be “at-the-market” (“ATM”) offerings as defined in Rule 415 of the Securities Act, including sales made directly on the New York Stock Exchange, the existing trading market for the common units, or sales made to or through the market maker other than on an

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exchange or through an electronic communications network. We will pay each of the Agents a commission, which in each case shall not be more than 2.0% of the gross sales price of common units sold through such Agent. During the year ended December 31, 2015, we issued 277,667 common units under the ATM program for net proceeds of \$7.5 million.

SUBSEQUENT EVENTS

On January 26, 2016, we announced a quarterly cash distribution of \$0.66 per common unit pertaining to the results for the fourth quarter of 2015. The distribution was paid on February 12, 2016 to common unit holders of record as of the close of business on February 5, 2016.

Subsequent to December 31, 2015, we issued 474,657 common units under our ATM Equity Program for net proceeds of approximately \$12.4 million. No issuances occurred during February 2016.

REVENUE RECOGNITION

Cemetery Operations

Our cemetery revenues are principally derived from sales of interment rights, merchandise and services. These sales occur both at the time of death, which we refer to as at-need, and prior to the time of death, which we refer to as pre-need. Pre-need sales are typically sold on an installment plan. At-need cemetery sales and pre-need merchandise and services sales are recognized as revenue when the merchandise is delivered or the service is performed. For pre-need sales of interment rights, we recognize the associated revenue when we have collected 10% of the sales price from the customer. We consider our cemetery merchandise delivered to our customer when it is either installed or ready to be installed and delivered to a third-party storage facility until it is needed, with ownership transferred to the customer at that time. Pre-need sales that have not yet been recognized as revenue are recognized as deferred cemetery revenues, net, a liability on our consolidated balance sheet. Direct costs associated with pre-need sales that are recognized as deferred cemetery revenues, such as sales commissions and cost of goods sold, are recognized as deferred selling and obtaining costs, an asset on our consolidated balance sheet, until the merchandise is delivered or the services are performed.

Funeral Home Operations

Our funeral home revenues are principally derived from at-need and pre-need sales of merchandise and services. Pre-need sales are typically sold on an installment plan. Both at-need and pre-need funeral home sales are recognized as revenue when the merchandise is delivered or the service is performed. Pre-need sales that have not yet been recognized as revenue are recognized as deferred revenues, a liability on our consolidated balance sheet. Direct costs associated with pre-need sales that are recognized as deferred revenues, such as sales commissions and cost of goods sold, are recognized as deferred selling and obtaining costs, an asset on our consolidated balance sheet, until the merchandise is delivered or the services are performed. Our funeral home operations also include revenues related to the sale of term and final expense whole life insurance. As an agent for these insurance sales, we earn and recognize commission-related revenue streams from the sales of these policies.

Trust Investment Income

Sales of cemetery and funeral home merchandise and services are subject to state law. Under these laws, which vary by state, a portion of the cash proceeds received from the sale of interment rights and pre-need sales of cemetery and funeral home merchandise and services are required to be deposited into trusts. For sales of interment rights, a portion of the cash proceeds received are required to be deposited into a perpetual care trust. While the principal balance of the perpetual care trust must remain in the trust in perpetuity, we recognize investment income on such assets as revenue, excluding realized gains and losses from the sale of trust assets. For sales of cemetery and funeral home merchandise and services, a portion of the cash proceeds received are required to be deposited into a merchandise trust until the merchandise is delivered or the services are performed, at which time the funds deposited, along with the associated investment income, may be

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withdrawn. Investment income from assets held in the merchandise trust is recognized as revenues when withdrawn. Amounts deposited into trusts are invested by third-party investment managers who are selected by the Trust Committee of the board of directors of our general partner. These investment managers are required to invest our trust funds in accordance with applicable state law and internal investment guidelines adopted by the Trust Committee. Our investment managers are monitored by third-party investment advisors selected by the Trust Committee who advise the committee on the determination of asset allocations, evaluate the investment managers and provide detailed monthly reports on the performance of each merchandise and perpetual care trust.

GENERAL TRENDS AND OUTLOOK

We expect our business to be affected by key trends in the deathcare industry, based upon assumptions made by us and information currently available. Deathcare industry factors affecting our financial position and results of operations include, but are not limited to, demographic trends in terms of population growth and average age, which impacts death rates and number of deaths, increasing cremation trends, and increasing memorialization trends. In addition, we are subject to fluctuations in the fair value of equity and fixed-maturity debt securities held in our trusts. These values can be negatively impacted by contractions in the credit market and overall downturns in economic activity. Our ability to make payments on our debt and our ability to make cash distributions to our unitholders depends on our success at managing these industry trends. To the extent our underlying assumptions about or interpretations of available information prove to be incorrect, our actual results may vary materially from our expected results.

RESULTS OF OPERATIONS

We have revised our segment reporting from prior presentations based on how we currently manage our operations and make business decisions. We now have two distinct reportable segments, which are classified as Cemetery Operations and Funeral Homes, and are supported by corporate costs and expenses.

Cemetery Operations

Overview

We are currently the second largest owner and operator of cemeteries in the United States. As of December 31, 2015, we operated 307 cemeteries in 27 states and Puerto Rico. We own 276 of these cemeteries and we manage or operate the remaining 31 under lease, operating or management agreements. Revenues from cemetery operations accounted for approximately 81.1% of our total revenues during the year ended December 31, 2015.

Operating Results

The following table presents operating results for our cemetery operations for the respective reporting periods (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Merchandise	\$ 131,862	\$ 132,355	\$ 110,673
Services	56,243	51,827	44,054
Interest income	8,671	7,628	6,926
Investment and other	51,094	47,589	40,033
Total revenue	247,870	239,399	201,686
Cost of goods sold	38,924	33,652	27,859
Cemetery expense	71,296	64,672	57,566
Selling expense	58,884	55,277	47,832
General and administrative expense	36,371	35,110	31,873
Total cost and expenses	205,475	188,711	165,130
Operating income	\$ 42,395	\$ 50,688	\$ 36,556

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Cemetery merchandise revenues were \$131.9 million for the year ended December 31, 2015, a slight decrease of \$0.5 million from \$132.4 million for the year ended December 31, 2014. Cemetery services revenues were \$56.2 million for the year ended December 31, 2015, an increase of \$4.4 million from \$51.8 million for the year ended December 31, 2014. This increase was primarily due to a \$4.7 million increase in opening and closing service revenues, principally from the Archdiocese of Philadelphia properties we operate and other acquisitions completed during calendar year 2014. Investment and other income was \$51.1 million for the year ended December 31, 2015, an increase of \$3.5 million from \$47.6 million for the year ended December 31, 2014. This increase was primarily due to a \$3.1 million increase in trust income due to higher invested capital amounts and increased income withdrawals from our merchandise trusts. Interest income was \$8.7 million for the year ended December 31, 2015, an increase of \$1.1 million from the year ended December 31, 2014, which was primarily due to a larger average accounts receivable balance during calendar year 2015.

Cost of goods sold was \$38.9 million for the year ended December 31, 2015, an increase of \$5.2 million from \$33.7 million for the year ended December 31, 2014. This increase consisted principally of a land sale that occurred in calendar 2015 that had a cost basis of \$1.8 million, a \$0.7 million increase in perpetual care trusting costs due to an increase in burial right values, and changes in the value and mix of products and property rights sold.

Cemetery expenses were \$71.3 million for the year ended December 31, 2015, an increase of \$6.6 million from \$64.7 million for the year ended December 31, 2014. This increase was principally due to a \$4.2 million increase in personnel costs, a \$1.3 million increase in repairs and maintenance expenses and \$0.9 million increase in real estate tax expense. These increases were principally due to costs associated with properties acquired during the periods.

Selling expenses were \$58.9 million for the year ended December 31, 2015, an increase of \$3.6 million from \$55.3 million for the year ended December 31, 2014. This increase was primarily due to a \$2.9 million increase in commissions and personnel costs and a \$0.4 million increase in advertising and marketing expenses.

General and administrative expenses were \$36.4 million for the year ended December 31, 2015, an increase of \$1.3 million from \$35.1 million for the year ended December 31, 2014. This increase was principally due to a \$1.5 million increase in personnel costs and a \$1.2 million increase in insurance costs, partially offset by a \$1.6 million decrease in professional fees and legal costs. The increases were primarily due to costs associated with properties acquired during the periods.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Cemetery merchandise revenues were \$132.4 million for the year ended December 31, 2014, an increase of \$21.7 million from \$110.7 million for the year ended December 31, 2013. The increase was principally due to a \$19.2 million increase in lot, vault, crypt, niche and marker revenues, primarily from the Archdiocese of Philadelphia properties and other acquisitions completed during calendar year 2014. Cemetery service revenues were \$51.8 million for the year ended December 31, 2014, an increase of \$7.8 million from \$44.0 million for the year ended December 31, 2013. This increase was primarily due to a \$6.7 million increase in opening and closing service revenues, principally from the properties acquired during calendar year 2014, and a \$0.8 million increase in marker installations. Investment and other income was \$47.6 million for the year ended December 31, 2014, an increase of \$7.6 million from \$40.0 million for the year ended December 31, 2013. This increase was primarily due to a \$4.0 million increase in large land sale revenues and a \$2.0 million increase in trust income due to higher invested capital amounts and increased income withdrawals from our merchandise trusts. Interest income was \$7.6 million for the year ended December 31, 2014, a \$0.7 million increase from \$6.9 million for the year ended December 31, 2013, which was primarily due to a larger average accounts receivable balance during calendar year 2014.

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Cost of goods sold was \$33.7 million for the year ended December 31, 2014, an increase of \$5.8 million from \$27.9 million for the year ended December 31, 2013. This increase consisted principally of a \$1.2 million increase in perpetual care trusting costs due to an increase in burial right values and correlative increases in the cost of property and merchandise sold.

Cemetery expenses were \$64.7 million during the year ended December 31, 2014, an increase of \$7.1 million, from \$57.6 million for the year ended December 31, 2013. This increase was principally due to a \$1.7 million increase in repairs and maintenance expense, a \$5.0 million increase in personnel costs and a \$0.7 million increase in utility and fuel costs, partially offset by a \$0.3 million decrease in real estate tax expense. These increases were principally due to costs associated with properties acquired during the periods.

Selling expenses were \$55.3 million for the year ended December 31, 2014, an increase of \$7.5 million from \$47.8 million for the year ended December 31, 2013. This increase was primarily due to a \$4.9 million increase in commissions and personnel costs, a \$2.4 million increase in advertising and telemarketing costs and a \$0.2 million increase in travel expenses.

General and administrative expenses were \$35.1 million for the year ended December 31, 2014, an increase of \$3.2 million, from \$31.9 million for the year ended December 31, 2013. The increase was due to a \$1.7 million increase in personnel costs and a \$1.5 million increase in legal costs.

Funeral Home Operations

Overview

As of December 31, 2015, we owned and operated 105 funeral homes. These properties are located in 19 states and Puerto Rico. Revenues from funeral home operations accounted for approximately 18.9% of our total revenues during the year ended December 31, 2015.

Operating Results

The following table presents operating results for our funeral home operations for the respective reporting periods (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Merchandise	\$26,722	\$21,060	\$18,922
Services	31,048	27,626	26,033
Total revenue	57,770	48,686	44,955
Merchandise	6,928	6,659	5,569
Service	22,959	20,470	19,190
Other	17,526	12,581	10,895
Total expenses	47,413	39,710	35,654
Operating income	\$10,357	\$ 8,976	\$ 9,301

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Funeral home merchandise revenues were \$26.7 million for the year ended December 31, 2015, an increase of \$5.6 million from \$21.1 million for the year ended December 31, 2014. Funeral home service revenues were \$31.0 million for the year ended December 31, 2015, a \$3.4 million increase from \$27.6 million for the year ended December 31, 2014. Both increases were due principally to properties acquired during the periods.

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Funeral home expenses were \$47.4 million for the year ended December 31, 2015, an increase of \$7.7 million from \$39.7 million for the year ended December 31, 2014. This increase principally consists of a \$2.5 million increase in personnel costs, a \$2.6 million increase in costs associated with insurance-related sales, a \$0.7 million increase in facility costs, and a \$0.3 million increase in merchandise costs. These increases were principally due to costs associated with properties acquired during the periods.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Funeral home merchandise revenues were \$21.1 million for the year ended December 31, 2014, an increase of \$2.2 million from \$18.9 million for the year ended December 31, 2013. Funeral home service revenues were \$27.6 million for the year ended December 31, 2014, an increase of \$1.6 million from \$26.0 million for the year ended December 31, 2013. Both increases were due principally to properties acquired during the periods.

Funeral home expenses were \$39.7 million for the year ended December 31, 2014, an increase of \$4.0 million from \$35.7 million for the year ended December 31, 2013. This increase principally consisted of a \$1.3 million increase in personnel expenses, a \$1.1 million increase in merchandise costs and a \$1.2 million increase in facility costs.

Corporate Overhead

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Corporate overhead expense was \$38.6 million for the year ended December 31, 2015, an increase of \$3.9 million from \$34.7 million for the year ended December 31, 2014. This increase was due to a \$1.0 million increase in acquisition-related costs, a \$0.6 million increase in corporate advertising, a \$0.5 million increase in personnel costs and a \$0.4 million increase in non-cash compensation expense.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Corporate overhead expense was \$34.7 million for the year ended December 31, 2014, an increase of \$4.8 million from \$29.9 million for the year ended December 31, 2013. This increase was principally due to a \$3.0 million increase in professional fees, a \$1.2 million increase in acquisition related costs, and a \$0.5 million increase in information technology costs, partially offset with a decrease of \$0.5 million in personnel costs.

Depreciation and amortization

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Depreciation and amortization expense was \$12.8 million for the year ended December 31, 2015, an increase of \$1.7 million from \$11.1 million for the year ended December 31, 2014. The increase was principally due to additional depreciation and amortization from assets acquired in our recent acquisitions and the lease and management agreements with the Archdiocese of Philadelphia.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Depreciation and amortization expense was \$11.1 million for the year ended December 31, 2014, an increase of \$1.6 million from \$9.5 million for the year ended December 31, 2013. The increase was principally due to additional depreciation and amortization from assets acquired in our recent acquisitions and the lease and management agreements with the Archdiocese of Philadelphia.

Other gains and losses

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

For the year ended December 31, 2015, other gains and losses included a \$1.5 million gain on acquisition, a \$3.1 million loss on legal settlement, and a \$0.3 million loss on impairment of long-lived assets. For the year

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ended December 31, 2014, other gains and losses included a \$0.4 million gain on acquisition, a \$0.9 million gain on settlement agreement, a \$0.2 million gain on asset sales, a \$0.2 million loss on early extinguishment of debt, and a \$0.4 million loss on impairment of long-lived assets. The \$3.1 million loss on legal settlement recognized during calendar year 2015 pertained to the legal settlement of a Fair Labor Standards Act claim. The \$0.9 million gain on settlement recognized during calendar year 2014, for which \$12.3 million was also recognized during calendar year 2013 for the same matter, was related to the settlement of claims associated with certain properties acquired in prior years.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

For the year ended December 31, 2014, other gains and losses included a \$0.4 million gain on acquisition, a \$0.9 million gain on settlement agreement, a \$0.2 million gain on asset sales, a \$0.2 million loss on early extinguishment of debt, and a \$0.4 million loss on impairment of long-lived assets. For the year ended December 31, 2013, other gains and losses included a \$2.5 million gain on acquisition, a \$12.3 million gain on settlement agreement, a \$0.2 million gain on asset sales, and a \$21.6 million loss on early extinguishment of debt. Each of the aforementioned gains and losses are transaction specific and generally do not correlate to our operating performance. The loss on early extinguishment of debt recognized during calendar year 2013 pertained to our early repayment of \$150.0 million of our 10.25% Senior Notes due 2017 and the incurrence of \$14.9 million of tender premiums and the write-off of \$6.7 million of unamortized fees and discounts related to these notes.

Interest expense

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Interest expense was \$22.6 million for the year ended December 31, 2015, an increase of \$1.0 million from \$21.6 million for the year ended December 31, 2014. This increase was principally due to an increase in interest expense on amounts outstanding under the credit facility, which had higher average amounts outstanding during the calendar year 2015 than the prior year.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Interest expense was \$21.6 million for the year ended December 31, 2014, an increase of \$0.5 million from \$21.1 million for the year ended December 31, 2013. This increase was principally due to an increase in discount accretion expense related to the obligation for the lease and management agreements with the Archdiocese of Philadelphia and amortization of deferred finance fees relating to our recent amendments to the revolving credit facility. This increase was partially offset by a reduction in interest expense related to our senior notes, which have a lower interest rate than the prior senior notes that were refinanced in the second quarter of 2013.

Income tax benefit (expense)

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Income tax expense was \$1.1 million for the year ended December 31, 2015 compared to \$3.9 million for the prior year. Our effective tax rate differs from our statutory tax rate primarily because our legal entity structure includes different tax filing entities, including a significant number of partnerships that are not subject to paying tax.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

We had an income tax expense of \$3.9 million for the year ended December 31, 2014, compared to an income tax benefit of \$2.3 million during 2013. The increase in income tax expense was primarily due to revised estimates regarding the usage of our federal net operating loss carryforwards. Our effective tax rate differs from our statutory tax rate primarily because our legal entity structure includes different tax filing entities, including a significant number of partnerships that are not subject to paying tax.

LIQUIDITY AND CAPITAL RESOURCES

General

Our primary sources of liquidity are cash generated from operations and borrowings under our revolving credit facility. Our primary cash requirements, in addition to normal operating expenses, are for debt service, capital expenditures and cash distributions. In general, we expect to fund:

- cash distributions and maintenance capital expenditures through existing cash and cash flows from operating activities;
- expansion capital expenditures and working capital deficits through cash generated from operations and additional borrowings; and
- debt service obligations through additional borrowings or by the issuance of additional limited partner units or asset sales.

We rely on cash flow from operations, borrowings under our credit facility and the issuance of additional limited partner units to execute our growth strategy and meet our financial commitments and other short-term financial needs. We cannot be certain that additional capital will be available to us to the extent required and on acceptable terms.

We believe that we will have sufficient liquid assets, cash from operations and borrowing capacity to meet our financial commitments, debt service obligations, contingencies and anticipated capital expenditures for at least the next twelve-month period. However, we are subject to business, operational and other risks that could adversely affect our cash flow. We may supplement our cash generation with proceeds from financing activities, including borrowings under our credit facility and other borrowings, the issuance of additional limited partner units, and the sale of assets and other transactions.

Cash Flows - Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net cash flows provided by operating activities were \$4.1 million during the year ended December 31, 2015, a decrease of \$15.4 million from \$19.5 million during the year ended December 31, 2014. The \$15.4 million unfavorable movement in net cash provided by operating activities resulted from a \$9.7 million unfavorable movement in net income excluding non-cash items and a \$5.7 million unfavorable movement in working capital. The unfavorable movement in net income excluding non-cash items was due principally to the recognition of a \$3.1 million loss on legal settlement during calendar year 2015 and the growth of our partnership and certain expenses during calendar 2015, including general and administrative expenses and corporate overhead, although the majority of cemetery pre-need sales associated with that growth did not meet the delivery criteria for revenue recognition. The \$5.7 million unfavorable movement in working capital was due principally to increased contributions to trusts due to increases in pre-need sales between periods, partially offset by other movements in current assets and liabilities due to timing differences.

Net cash used in investing activities was \$34.1 million during the year ended December 31, 2015, a decrease of \$89.6 million from \$123.7 million during the year ended December 31, 2014. Net cash used for investing activities during calendar year 2015 consisted of \$18.8 million for acquisitions and \$15.3 million for capital expenditures. Net cash used for investing activities during calendar year 2014 principally consisted of \$56.4 million for acquisitions, \$53.0 million of up-front rent for the transaction with the Archdiocese of Philadelphia and \$14.6 million for capital expenditures.

Net cash flows provided by financing activities were \$34.8 million for the year ended December 31, 2015 compared with \$102.4 million for the year ended December 31, 2014. Cash flows provided by financing activities during calendar year 2015 consisted primarily of \$75.2 million of net proceeds from the issuance of common units and \$37.3 million of net borrowings, partially offset by cash distributions to unit holders of \$77.5 million. Cash flows provided by financing activities during calendar year 2014 consisted of \$173.5 million of net proceeds from the issuance of common units, partially offset by net repayments of long-term debt of \$5.3 million, financing costs incurred of \$3.0 million, and cash distributions to unit holders of \$62.8 million.

Cash Flows - Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net cash flows provided by operating activities were \$19.5 million during the year ended December 31, 2014, a decrease of \$15.6 million compared with \$35.1 million during the year ended December 31, 2013. The \$15.6 million unfavorable movement in net cash provided by operating activities resulted from a \$6.5 million unfavorable movement in net income excluding non-cash items and a \$9.1 million unfavorable movement in working capital. The unfavorable movement in net income excluding non-cash items was due principally to a \$12.1 million gain on settlement agreement recognized during calendar year 2013, partially offset by the growth of our partnership due to additional properties acquired during the periods. The \$9.1 million unfavorable movement in working capital was due principally to movements in current assets and liabilities due to timing differences.

Net cash used in investing activities was \$123.7 million during the year ended December 31, 2014, an increase of \$97.0 million compared with \$26.7 million during the year ended December 31, 2013. Cash flows used for investing activities during calendar year 2014 consisted principally of \$56.4 million for acquisitions, \$53.0 million of up-front rent for the transaction with the Archdiocese of Philadelphia and \$14.6 million for capital expenditures. Cash flows used for investing activities during calendar year 2013 consisted principally of \$14.1 million for acquisitions and \$12.8 million for capital expenditures.

Net cash flows provided by financing activities were \$102.4 million during the year ended December 31, 2014, compared with \$4.1 million net cash used in financing activities during the year ended December 31, 2013. Cash flows provided by financing activities during calendar year 2014 consisted of \$173.5 million of net proceeds from the issuance of common units, partially offset by net repayments of long-term debt of \$5.3 million, financing costs incurred of \$3.0 million, and cash distributions to unit holders of \$62.8 million. Cash flows provided by financing activities during calendar year 2013 consisted of \$38.4 million of net proceeds from the issuance of common units and \$29.6 million net long-term borrowings, inclusive of the issuance of \$175.0 million of Senior Notes to repay our existing \$150.0 million of senior notes. These increases were partially offset by the incurrence of \$14.9 million of fees associated with the retirement of our existing senior notes, incurred financing costs of \$5.1 million and cash distributions to unit holders of \$52.1 million.

Capital Expenditures

Our capital requirements consist primarily of:

- Expansion capital expenditures – we consider expansion capital expenditures to be capital expenditures that expand the capacity of our existing operations; and
- Maintenance capital expenditures – we consider maintenance capital expenditures to be any capital expenditures that are not expansion capital expenditures – generally, this will include expenditures to maintain our facilities.

The following table summarizes maintenance and expansion capital expenditures, excluding amounts paid for acquisitions, for the periods presented (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Maintenance capital expenditures	\$ 7,937	\$ 8,398	\$ 6,986
Expansion capital expenditures	7,402	6,176	5,766
Total capital expenditures	<u>\$15,339</u>	<u>\$14,574</u>	<u>\$12,752</u>

Off Balance Sheet Arrangements, Contractual Obligations and Contingencies

We had no off-balance sheet arrangements as of December 31, 2015 or 2014.

We have assumed various financial obligations and commitments in the ordinary course of conducting our business. We have contractual obligations requiring future cash payments related to debt maturities, interest on debt, operating lease agreements, and liabilities to purchase merchandise related to our pre-need sales contracts.

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A summary of our total contractual obligations as of December 31, 2015 is presented in the table below (in thousands):

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Debt (1)	\$425,634	\$ 22,549	\$47,325	\$ 175,018	\$ 180,742
Operating leases	25,611	3,356	6,931	4,853	10,471
Lease and management agreements (2)	36,675	—	—	—	36,675
Merchandise liabilities (3)	173,097	—	—	—	—
Total	\$661,017	\$ 25,905	\$54,256	\$ 179,871	\$227,888

- (1) Represents the interest payable and par value of debt due and does not include the unamortized debt discounts of \$3.0 million at December 31, 2015. This table assumes that current amounts outstanding under our Credit Facility are not repaid until the maturity date of December 2019, except for Acquisition Draws, which have scheduled repayments.
- (2) Represents the aggregate future rent payments, with interest, due pertaining to the agreements with the Archdiocese of Philadelphia, from 2025 through 2049, and does not include the unamortized discount. See “Agreements with the Archdiocese of Philadelphia” in this “Item 7” of this Form 10-K.
- (3) Total cannot be separated into periods because we are unable to anticipate when the merchandise will be needed.

Issuance of Common Units

On July 10, 2015, we issued 2,415,000 common units in a public offering at a price of \$29.63 per unit, yielding net proceeds, after deducting underwriting discounts and offering expenses, of approximately \$67.9 million. The proceeds were used to pay down outstanding indebtedness under our credit facility.

On November 19, 2015, we entered into an equity distribution agreement (“ATM Equity Program”) with a group of banks (the “Agents”) whereby we may sell, from time to time, common units representing limited partner interests having an aggregate offering price of up to \$100,000,000. Sales of common units, if any, may be made in negotiated transactions or transactions that are deemed to be “at-the-market” (“ATM”) offerings as defined in Rule 415 of the Securities Act, including sales made directly on the New York Stock Exchange, the existing trading market for the common units, or sales made to or through the market maker other than on an exchange or through an electronic communications network. We will pay each of the Agents a commission, which in each case shall not be more than 2.0% of the gross sales price of common units sold through such Agent. During the year ended December 31, 2015, we issued 277,667 common units under the ATM program for net proceeds of \$7.5 million.

Long-Term Debt

Credit Facility

We are a party to the Fourth Amended and Restated Credit Agreement (the “Credit Agreement”), which provides for a single revolving credit facility of \$180.0 million (the “Credit Facility”) maturing on December 19, 2019. Additionally, the Credit Agreement provides for an uncommitted ability to increase the Credit Facility by an additional \$70.0 million. Our obligations under the Credit Facility are secured by substantially all of our assets, excluding those held in trust. Borrowings under the Credit Facility are classified as either acquisition draws or working capital draws. Acquisition draws may be utilized to finance permitted acquisitions, the purchase and construction of mausoleums and related costs or the net amount of merchandise trust deposits. Working capital draws may be utilized to finance working capital requirements, capital expenditures and for other general corporate purposes. The amount of the Credit Facility that is available for working capital draws is subject to a borrowing formula equal to 85% of eligible accounts receivable, as defined within the Credit Agreement. At December 31, 2015, the amount available under the Credit Facility for working capital advances under this limit was \$139.0 million.

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Each individual acquisition draw is subject to equal quarterly amortization of the principal amount, with annual principal payments comprised of ten percent of the related advance amount, commencing on the second anniversary of such advance, with the remaining principal due on December 19, 2019, subject to certain mandatory prepayment requirements. Up to \$10.0 million of the Credit Facility may be in the form of standby letters of credit, of which there were none outstanding at December 31, 2015 and 2014.

Borrowings under the Credit Facility bear interest, at our election, at either an adjusted LIBOR rate plus an applicable margin between 2.25% and 4.00% per annum or the base rate (which is the higher of the bank's prime rate, the Federal funds rate plus 0.5% or one-month LIBOR plus 1.00%) plus an applicable margin between 1.25% and 3.00% per annum. We are also required to pay a fee on the unused portion of the Credit Facility at a rate between 0.375% and 0.8% per annum, which is included within interest expense on our consolidated statements of operations. At December 31, 2015, the weighted average interest rate on outstanding borrowings under the Credit Facility was 3.8%.

The Credit Agreement contains customary covenants that limit our ability to incur additional indebtedness, grant liens, make loans or investments, make cash distributions if a default exists or would result from the distribution, merger or consolidation with other persons, or engage in certain asset dispositions including the sale of all or substantially all of its assets. We were in compliance with these covenants as of December 31, 2015. The Credit Agreement also requires us to maintain:

- Consolidated EBITDA (as defined in the Credit Agreement), calculated over a period of four consecutive fiscal quarters, to be no less than the sum of (i) \$80.0 million plus (ii) 80% of the aggregate Consolidated EBITDA for each permitted acquisition completed after June 30, 2014;
- the ratio of Consolidated EBITDA (as defined in the Credit Agreement) to Consolidated Debt Service (as defined in the Credit Agreement), calculated over a period of four fiscal quarters, or the Consolidated Debt Service Coverage Ratio, of not less than 2.50 to 1.00 for any period; and
- the ratio of Consolidated Funded Indebtedness (as defined in the Credit Agreement) to Consolidated EBITDA (as defined in the Credit Agreement), calculated over a period of four fiscal quarters, or the Consolidated Leverage Ratio, of not greater than 4.00 to 1.00 for any period.

Senior Notes

On May 28, 2013, we issued \$175.0 million aggregate principal amount of 7.875% Senior Notes due 2021 (the "Senior Notes"). We pay 7.875% interest per annum on the principal amount of the Senior Notes, payable in cash semi-annually in arrears on June 1 and December 1 of each year. The net proceeds from the offering were used to retire a \$150.0 million aggregate principal amount of 10.25% Senior Notes due 2017 and the remaining proceeds were used for general corporate purposes. The Senior Notes were issued at 97.832% of par resulting in gross proceeds of \$171.2 million with an original issue discount of approximately \$3.8 million. We incurred debt issuance costs and fees of approximately \$4.6 million. These costs and fees are deferred and will be amortized over the life of these notes. The Senior Notes mature on June 1, 2021.

At any time prior to June 1, 2016, we may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of certain equity offerings at the redemption price of 107.875%, plus accrued and unpaid interest, if any, to the redemption date, provided that (i) at least 65% of the aggregate principal amount of the Senior Notes remain outstanding and (ii) the redemption occurs within 180 days of the closing date of such equity offering. At any time on or after June 1, 2016, we may redeem the Senior Notes, in whole or in part, at the redemption prices (expressed as percentages of the principal amount) set forth below, together with accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period beginning June 1 of the years indicated:

<u>Year</u>	<u>Percentage</u>
2016	105.906%
2017	103.938%
2018	101.969%
2019 and thereafter	100.000%

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In addition, at any time prior to June 1, 2016, we may also redeem all or any portion of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus the Applicable Premium (as defined in the Indenture), including accrued and unpaid interest. Subject to certain exceptions, upon the occurrence of a Change of Control (as defined in the Indenture), each holder of the Senior Notes will have the right to require us to purchase that holder's Senior Notes for a cash price equal to 101% of the principal amounts to be purchased, plus accrued and unpaid interest.

The Senior Notes are jointly and severally guaranteed by certain of our material subsidiaries. The Indenture governing the Senior Notes contains covenants, including limitations of our ability to incur certain additional indebtedness and liens, make certain dividends, distributions, redemptions or investments, enter into certain transactions with affiliates, make certain asset sales, and engage in certain mergers, consolidations or sales of all or substantially all of our assets, among other items. As of December 31, 2015, we were in compliance with these covenants.

Cash Distribution Policy

Our partnership agreement requires that we distribute 100% of available cash to our common and preferred unitholders and general partner within 45 days following the end of each calendar quarter in accordance with their respective percentage interests. Available cash consists generally of all of our cash receipts, less cash disbursements. Our general partner is granted discretion under the partnership agreement to establish, maintain and adjust reserves for future operating expenses, debt service, maintenance capital expenditures and distributions for the next four quarters. These reserves are not restricted by magnitude, but only by type of future cash requirements with which they can be associated.

Available cash is distributed to the common limited partners and the general partner in accordance with their ownership interests, subject to the general partner's incentive distribution rights if quarterly cash distributions per limited partner unit exceed specified targets. Incentive distribution rights are generally defined as all cash distributions paid to our general partner that are in excess of its respective ownership interest. The incentive distribution rights will entitle our general partner to receive the following increasing percentage of cash distributed by us as it reaches certain target distribution levels:

- 13.0% of all cash distributed in any quarter after each common unit has received \$0.5125 for that quarter;
- 23.0% of all cash distributed in any quarter after each common unit has received \$0.5875 for that quarter; and
- 48.0% of all cash distributed in any quarter after each common unit has received \$0.7125 for that quarter.

Agreements with the Archdiocese of Philadelphia

In accordance with the lease and management agreements with the Archdiocese of Philadelphia, we have agreed pay to the Archdiocese aggregate fixed rent of \$36.0 million in the following amounts:

Lease Years 1-5	None
Lease Years 6-20	\$1,000,000 per Lease Year
Lease Years 21-25	\$1,200,000 per Lease Year
Lease Years 26-35	\$1,500,000 per Lease Year
Lease Years 36-60	None

The fixed rent for lease years 6 through 11 shall be deferred. If the Archdiocese terminates the agreements pursuant to a lease year 11 termination or we terminate the agreements as a result of a default by the Archdiocese, prior to the end of lease year 11, the deferred fixed rent shall be retained by us. If the agreements are not terminated, the deferred fixed rent shall become due and payable 30 days after the end of lease year 11.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires making 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 actual revenue and expenses during the reporting period. Although we base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, actual results may differ from the estimates on which our financial statements are prepared at any given point of time. Changes in these estimates could materially affect our financial position, results of operations or cash flows. Significant items that are subject to such estimates and assumptions include revenue and expense accruals, fair value of merchandise and perpetual care trusts assets, merchandise liability balance and the allocation of purchase price to the fair value of assets acquired. A summary of the significant accounting policies we have adopted and followed in the preparation of our consolidated financial statements is included in Note 1 under “Item 8: Financial Statements and Supplementary Data” included in this report. The critical accounting policies and estimates we have identified are discussed below.

Deferred Cemetery Revenues, Net

Revenues from the sale of services and merchandise, as well as any investment income from the merchandise trust is deferred until such time that the services are performed or the merchandise is delivered. In addition to amounts deferred on new contracts, investment income and unrealized gains on our merchandise trust, deferred cemetery revenues, net, includes deferred revenues from pre-need sales that were entered into by entities prior to the acquisition of those entities by us, including entities that were acquired by Cornerstone Family Services, Inc. upon its formation in 1999. We provide for a reasonable profit margin for these deferred revenues (deferred margin) to account for the future costs of delivering products and providing services on pre-need contracts that we acquired through acquisitions. Deferred margin amounts are deferred until the merchandise is delivered or the services are performed.

Accounts Receivable Allowance for Cancellations

At the time of a pre-need sale, we record an account receivable in an amount equal to the total contract value less any cash deposit paid net of an estimated allowance for cancellations. The allowance for cancellations is established based upon our estimate of expected cancellations and historical experiences, and is currently approximately 10% of total contract values. Future cancellation rates may differ from this current estimate. We will continue to evaluate cancellation rates and will make changes to the estimate should the need arise. Actual cancellations did not vary significantly from the estimates of expected cancellations at December 31, 2015 or 2014.

Other-Than-Temporary Impairment of Trust Assets

Assets held in our merchandise trusts are carried at fair value. Any change in unrealized gains and losses is reflected in the carrying value of the assets and is recognized as deferred revenue. Any and all investment income streams, including interest, dividends or gains and losses from the sale of trust assets, are offset against deferred revenue until such time that we deliver the underlying merchandise. Investment income generated from our merchandise trust is included in Cemetery revenues – investment and other.

Pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. All principal must remain in this trust into perpetuity while interest and dividends may be released and used to defray cemetery maintenance costs, which are expensed as incurred. Assets in our perpetual care trusts are carried at fair value. Any change in unrealized gains and losses is reflected in the carrying value of the assets and is offset against perpetual care trust corpus.

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We evaluate whether or not the assets in our merchandise and perpetual care trusts have an other-than-temporary impairment on a security-by-security basis. We determine whether or not the impairment of a fixed maturity debt security is other-than-temporary by evaluating each of the following:

- Whether it is our intent to sell the security. If there is intent to sell, the impairment is considered to be other-than-temporary.
- If there is no intent to sell, we evaluate if it is not more likely than not that we will be required to sell the debt security before its anticipated recovery. If we determine that it is more likely than not that it will be required to sell an impaired investment before its anticipated recovery, the impairment is considered to be other-than-temporary.

We further evaluate whether or not all assets in the trusts have other-than-temporary impairments based upon a number of criteria including the severity of the impairment, length of time a security has been in a loss position, changes in market conditions and concerns related to the specific issuer.

If an impairment is considered to be other-than-temporary, the cost basis of the security is adjusted downward to its fair value. For assets held in the perpetual care trusts, any reduction in the cost basis due to an other-than-temporary impairment is offset with an equal and opposite reduction in the perpetual care trust corpus and has no impact on earnings. For assets held in the merchandise trusts, any reduction in the cost basis due to an other-than-temporary impairment is recorded in deferred revenue.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired. We test goodwill for impairment using a two-step test. In the first step of the test, we compare the fair value of the reporting unit to its carrying amount, including goodwill. We determine the fair value of each reporting unit using the income approach. We do not record an impairment of goodwill in instances where the fair value of a reporting unit exceeds its carrying amount. If the aggregate fair value of a reporting unit is less than the related carrying amount, we proceed to the second step of the test in which we would determine and record an impairment loss in an amount equal to the excess of the carrying amount of goodwill over the implied fair value. The goodwill impairment test is performed annually or more frequently if events or circumstances indicate that impairment may exist.

Income Taxes

Our corporate subsidiaries are subject to both federal and state income taxes. We record deferred tax assets and liabilities to recognize temporary differences between the bases of assets and liabilities in our tax and GAAP balance sheets and for federal and state net operating loss carryforwards and alternative minimum tax credits.

We record a valuation allowance against our deferred tax assets if we deem that it is more likely than not that some portion or all of the recorded deferred tax assets will not be realizable in future periods.

In evaluating our ability to recover deferred tax assets, we consider all available positive and negative evidence, including our past operating results, recent cumulative losses and our forecast of future taxable income. In determining future taxable income, we make assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Any reduction in estimated future taxable income may require us to record an additional valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings.

As of December 31, 2015, our taxable corporate subsidiaries had federal net operating loss carryforwards of approximately \$261.8 million, which will begin to expire in 2017 and \$321.8 million in state net operating loss carryforwards, a portion of which expires annually. Our ability to use such federal net operating loss carryforwards may be limited by changes in the ownership of our units deemed to result in an “ownership change” under the applicable provisions of the Internal Revenue Code of 1986, as amended.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The term “market” risk refers to the risk of gains or losses arising from changes in interest rates and prices of marketable securities. The disclosures are not meant to be precise indicators of expected future gains or losses, but rather indicators of reasonably possible gains or losses. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures. All of our market risk-sensitive instruments were entered into for purposes other than trading.

INTEREST-BEARING INVESTMENTS

Our fixed-income securities subject to market risk consist primarily of certain investments in our merchandise trusts and perpetual care trusts. As of December 31, 2015, the fair value of fixed-income securities in our merchandise trusts and perpetual care trusts represented 4.0% and 7.0%, respectively, of the fair value of total trust assets. The aggregate of the quoted fair value of these fixed-income securities was \$18.6 million and \$22.2 million in the merchandise trusts and perpetual care trusts, respectively, as of December 31, 2015. Holding all other variables constant, a hypothetical 1% change in variable interest rates on these fixed-income securities would change the fair market value of the assets in our merchandise trusts and perpetual care trusts each by approximately \$0.2 million, based on discounted expected future cash flows. If these securities are held to maturity, no change in fair market value will be realized. Our money market and other short-term investments subject to market risk consist primarily of certain investments in our merchandise trusts and perpetual care trusts. As of December 31, 2015, the fair value of money market and short-term investments in our merchandise trusts and perpetual care trusts represented 7.6% and 11.9%, respectively, of the fair value of total trust assets. The aggregate of the quoted fair value of these money market and short-term investments was \$35.2 million and \$36.6 million in the merchandise trusts and perpetual care trusts, respectively, as of December 31, 2015. Holding all other variables constant, a hypothetical 1% change in variable interest rates on these money market and short-term investments would change the fair market value of the assets in our merchandise trusts and perpetual care trusts each by approximately \$0.4 million, based on discounted expected future cash flows.

MARKETABLE EQUITY SECURITIES

Our marketable equity securities subject to market risk consist primarily of certain investments held in our merchandise trusts and perpetual care trusts. These assets consist of investments in both individual equity securities as well as closed and open-ended mutual funds. As of December 31, 2015, the fair value of marketable equity securities in our merchandise trusts and perpetual care trusts represented 10.4% and 1.0%, respectively, of the fair value of total trust assets. The aggregate of the quoted fair market value of these marketable equity securities was \$48.2 million and \$2.9 million in our merchandise trusts and perpetual care trusts, respectively, as of December 31, 2015, based on final quoted sales prices. Holding all other variables constant, a hypothetical 10% change in variable interest rates of the equity securities would change the fair market value of the assets in our merchandise trusts and perpetual care trusts each by approximately \$4.8 million and \$0.3 million, based on discounted expected future cash flows. As of December 31, 2015, the fair value of marketable closed and open-ended mutual funds in our merchandise trusts represented 75.0% of the fair value of total trust assets, 63.5% of which pertained to fixed-income mutual funds. As of December 31, 2015, the fair value of closed and open-ended mutual funds in our perpetual care trusts represented 79.6% of total trust assets, 72.5% of which pertained to fixed-income mutual funds. The aggregate of the quoted fair market value of these closed and open-ended mutual funds was \$348.6 million and \$245.1 million, respectively, in the merchandise trusts and perpetual care trusts as of December 31, 2015, based on final quoted sales prices, of which \$221.5 million and \$177.7 million, respectively, pertained to fixed-income mutual funds. Holding all other variables constant, a hypothetical 10% change in the average market prices of the closed and open-ended mutual funds would change the fair market value of the assets in our merchandise trusts and perpetual care trusts each by approximately \$34.9 million and \$24.5 million, based on discounted expected future cash flows.

DEBT INSTRUMENTS

Our Credit Facility bears interest at a floating rate, based on LIBOR, which is adjusted quarterly. This subjects us to increases in interest expense resulting from movements in interest rates. As of December 31, 2015, we had \$149.5 million of borrowings outstanding under our Credit Facility, which generally bears interest at a variable rate. Holding all other variables constant, a hypothetical 1% change in variable interest rates would change our consolidated interest expense for the twelve-month period ending December 31, 2016 by approximately \$1.5 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of StoneMor GP LLC and Unitholders of StoneMor Partners L.P.

We have audited the accompanying consolidated balance sheets of StoneMor Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, partners’ capital, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of StoneMor Partners L.P. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Partnership’s internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2016 expressed an unqualified opinion on the Partnership’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
February 29, 2016

STONEMOR PARTNERS L.P.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,153	\$ 10,401
Accounts receivable, net of allowance	68,415	62,503
Prepaid expenses	5,367	4,708
Other current assets	18,863	24,266
Total current assets	<u>107,798</u>	<u>101,878</u>
Long-term accounts receivable, net of allowance	95,167	89,536
Cemetery property	342,639	339,848
Property and equipment, net of accumulated depreciation	104,330	100,391
Merchandise trusts, restricted, at fair value	464,676	484,820
Perpetual care trusts, restricted, at fair value	307,804	345,105
Deferred selling and obtaining costs	111,542	97,795
Deferred tax assets	40	40
Goodwill and intangible assets	137,060	127,826
Other assets	15,069	3,136
Total assets	<u>\$ 1,686,125</u>	<u>\$ 1,690,375</u>
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 31,875	\$ 35,382
Accrued interest	1,503	1,219
Current portion, long-term debt	2,440	2,251
Total current liabilities	<u>35,818</u>	<u>38,852</u>
Long-term debt, net of deferred financing costs	316,399	276,289
Deferred cemetery revenues, net	637,536	643,408
Deferred tax liabilities	17,833	17,708
Merchandise liability	173,097	150,192
Perpetual care trust corpus	307,804	345,105
Other long-term liabilities	13,960	10,059
Total liabilities	<u>1,502,447</u>	<u>1,481,613</u>
Commitments and contingencies		
Partners' Capital		
General partner interest	(10,038)	(5,113)
Common limited partners' interests	193,716	213,875
Total partners' capital	<u>183,678</u>	<u>208,762</u>
Total liabilities and partners' capital	<u>\$ 1,686,125</u>	<u>\$ 1,690,375</u>

See Accompanying Notes to the Consolidated Financial Statements.

STONEMOR PARTNERS L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit data)

	Years Ended December 31		
	2015	2014	2013
Revenues:			
Cemetery:			
Merchandise	\$ 131,862	\$ 132,355	\$ 110,673
Services	56,243	51,827	44,054
Investment and other	59,765	55,217	46,959
Funeral home:			
Merchandise	26,722	21,060	18,922
Services	31,048	27,626	26,033
Total revenues	<u>305,640</u>	<u>288,085</u>	<u>246,641</u>
Costs and Expenses:			
Cost of goods sold	38,924	33,652	27,859
Cemetery expense	71,296	64,672	57,566
Selling expense	58,884	55,277	47,832
General and administrative expense	36,371	35,110	31,873
Corporate overhead	38,609	34,723	29,926
Depreciation and amortization	12,803	11,081	9,548
Funeral home expenses:			
Merchandise	6,928	6,659	5,569
Services	22,959	20,470	19,190
Other	17,526	12,581	10,895
Total cost and expenses	<u>304,300</u>	<u>274,225</u>	<u>240,258</u>
Operating income	1,340	13,860	6,383
Gain on acquisitions and divestitures	1,540	656	2,685
Gain on settlement agreement, net	—	888	12,261
Legal settlement	(3,135)	—	—
Loss on early extinguishment of debt	—	(214)	(21,595)
Loss on impairment of long-lived assets	(296)	(440)	—
Interest expense	(22,585)	(21,610)	(21,070)
Loss before income taxes	(23,136)	(6,860)	(21,336)
Income tax benefit (expense)	(1,108)	(3,913)	2,304
Net loss	<u>\$ (24,244)</u>	<u>\$ (10,773)</u>	<u>\$ (19,032)</u>
General partner's interest for the period	\$ (315)	\$ (155)	\$ (350)
Limited partners' interest for the period	\$ (23,929)	\$ (10,618)	\$ (18,682)
Net loss per limited partner unit (basic and diluted)	\$ (0.79)	\$ (0.40)	\$ (0.89)
Weighted average number of limited partners' units outstanding (basic and diluted)	30,472	26,582	20,954

See Accompanying Notes to the Consolidated Financial Statements.

STONEMOR PARTNERS L.P.
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(in thousands)

	Partners' Capital			
	Outstanding Common Units	Common Limited Partners	General Partner	Total
January 1, 2013	19,568	\$ 134,796	\$ 386	\$ 135,182
Issuance of common units	1,775	38,377	—	38,377
General partner contribution	—	3,718	—	3,718
Common unit awards under incentive plans	34	1,328	—	1,328
Net loss	—	(18,682)	(350)	(19,032)
Cash distributions	—	(49,880)	(2,173)	(52,053)
December 31, 2013	21,377	109,657	(2,137)	107,520
Issuance of common units	7,546	176,558	—	176,558
Common unit awards under incentive plans	169	1,068	—	1,068
Net loss	—	(10,618)	(155)	(10,773)
Cash distributions	—	(60,015)	(2,821)	(62,836)
Unit distributions paid in kind	112	(2,775)	—	(2,775)
December 31, 2014	29,204	213,875	(5,113)	208,762
Issuance of common units	2,692	80,976	—	80,976
Common unit awards under incentive plans	8	1,516	—	1,516
Net loss	—	(23,929)	(315)	(24,244)
Cash distributions	—	(72,902)	(4,610)	(77,512)
Unit distributions paid in kind	205	(5,820)	—	(5,820)
December 31, 2015	32,109	\$ 193,716	\$ (10,038)	\$ 183,678

See Accompanying Notes to the Consolidated Financial Statements.

STONEMOR PARTNERS L.P.
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Years Ended December 31		
	2015	2014	2013
Cash Flows From Operating Activities:			
Net loss	\$ (24,244)	\$ (10,773)	\$ (19,032)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Cost of lots sold	13,103	10,291	8,019
Depreciation and amortization	12,803	11,081	9,548
Non-cash compensation expense	1,516	1,068	1,370
Non-cash interest expense	2,949	2,939	2,303
Gain on acquisitions and divestitures	(1,540)	(656)	(2,685)
Loss on early extinguishment of debt	—	214	21,595
Loss on impairment of long-lived assets	296	440	—
Changes in assets and liabilities:			
Accounts receivable, net of allowance	(8,873)	(10,356)	(8,834)
Merchandise trust fund	(52,332)	(28,828)	(36,919)
Other assets	(7,193)	(3,179)	(2,177)
Deferred selling and obtaining costs	(13,747)	(9,797)	(11,681)
Deferred cemetery revenue	78,676	60,841	72,708
Deferred taxes (net)	157	2,743	(2,865)
Payables and other liabilities	2,491	(6,580)	3,727
Net cash provided by operating activities	<u>4,062</u>	<u>19,448</u>	<u>35,077</u>
Cash Flows From Investing Activities:			
Cash paid for capital expenditures	(15,339)	(14,574)	(12,752)
Cash paid for acquisitions	(18,800)	(56,381)	(14,100)
Consideration for lease and management agreements	—	(53,000)	—
Proceeds from asset sales	—	297	155
Net cash used in investing activities	<u>(34,139)</u>	<u>(123,658)</u>	<u>(26,697)</u>
Cash Flows From Financing Activities:			
Cash distributions	(77,512)	(62,836)	(52,053)
Proceeds from borrowings	148,295	92,865	269,502
Repayments of debt	(111,034)	(98,140)	(239,932)
Proceeds from issuance of common units	75,156	173,497	38,377
Fees paid related to early extinguishment of debt	—	—	(14,920)
Cost of financing activities	(76)	(2,950)	(5,125)
Net cash provided by (used in) financing activities	<u>34,829</u>	<u>102,436</u>	<u>(4,151)</u>
Net increase (decrease) in cash and cash equivalents	<u>4,752</u>	<u>(1,774)</u>	<u>4,229</u>
Cash and cash equivalents—Beginning of period	<u>10,401</u>	<u>12,175</u>	<u>7,946</u>
Cash and cash equivalents—End of period	<u>\$ 15,153</u>	<u>\$ 10,401</u>	<u>\$ 12,175</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	\$ 19,352	\$ 18,796	\$ 18,907
Cash paid during the period for income taxes	\$ 4,294	\$ 4,315	\$ 3,891
Non-cash investing and financing activities:			
Acquisition of assets by financing	\$ 874	\$ 387	\$ 190
Issuance of limited partner units for cemetery acquisition	\$ —	\$ —	\$ 3,718
Acquisition of assets by assumption of directly related liability	\$ 876	\$ 8,368	\$ 3,924

See Accompanying Notes to the Consolidated Financial Statements.

STONEMOR PARTNERS L.P.

1. GENERAL

Nature of Operations

StoneMor Partners L.P. (the “Partnership”) is a provider of funeral and cemetery products and services in the death care industry in the United States. As of December 31, 2015, the Partnership operated 307 cemeteries in 27 states and Puerto Rico, of which 276 are owned and 31 are operated under lease, management or operating agreements. The Partnership also owned and operated 105 funeral homes in 19 states and Puerto Rico.

Basis of Presentation

The consolidated financial statements included in this Form 10-K have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The Partnership’s presentation of its deferred financing costs within its consolidated balance sheet has changed. These deferred costs were previously presented as under their own caption and are now presented as an offset to long-term debt using the caption, “Long-term debt, net of deferred financing cost.” Retrospective adjustment was made to the December 31, 2014 presentation of these deferred costs. This change in presentation has decreased the “Total assets” amount by \$9.1 million and decreased “Total liabilities” by the same amount at December 31, 2014. There was no additional impact on other assets or any other previously reported amounts.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year presentation.

The Partnership has revised its segment reporting and reporting units from prior presentations based on how it currently manages operations and makes business decisions. The Partnership now has two distinct reportable segments and reporting units, which are classified as Cemetery Operations and Funeral Homes, and are supported by corporate costs and expenses. Prior period balances and activities were adjusted to conform to this revised presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of each of the Partnership’s wholly-owned subsidiaries. These statements also include the accounts of the merchandise and perpetual care trusts in which the Partnership has a variable interest and is the primary beneficiary. The Partnership operates 31 cemeteries under long-term lease, operating or management contracts. The operations of 16 of these managed cemeteries have been consolidated.

The Partnership operates 15 cemeteries under long-term leases and other agreements that do not qualify as acquisitions for accounting purposes, including 13 cemeteries related to the transaction with the Archdiocese of Philadelphia that closed in the second quarter of 2014. As a result, the Partnership did not consolidate all of the existing assets and liabilities related to these cemeteries. The Partnership has consolidated the existing assets and liabilities of the merchandise and perpetual care trusts associated with these cemeteries as variable interest entities since the Partnership controls and receives the benefits and absorbs any losses from operating these trusts. Under the long-term leases, and other agreements associated with these properties, which are subject to certain termination provisions, the Partnership is the exclusive operator of these cemeteries and earns revenues related to sales of merchandise, services, and interment rights, and incurs expenses related to such sales, including the maintenance and upkeep of these cemeteries. Upon termination of these contracts, the Partnership will retain all of the benefits and related contractual obligations incurred from sales generated during the contract period. The Partnership has also recognized the existing merchandise liabilities that it assumed as part of these agreements.

Total revenues derived from the cemeteries under these agreements totaled approximately \$51.8 million, \$42.5 million and \$33.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of the Partnership's consolidated 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 as of the date of the consolidated financial statements, as well as the reported amounts of revenue and expense during the reporting periods. The Partnership's consolidated financial statements are based on a number of significant estimates, including revenue and expense accruals, depreciation and amortization, merchandise trusts and perpetual care trusts asset valuation, allowance for cancellations, unit-based compensation, merchandise liability, deferred sales revenue, deferred margin, deferred merchandise trust investment earnings, deferred obtaining costs, assets and liabilities obtained via business combinations and income taxes. As a result, actual results could differ from those estimates.

Accounts Receivable, Net of Allowance

The Partnership sells pre-need cemetery contracts whereby the customer enters into arrangements for future merchandise and services prior to the time of need. These sales are usually made using interest-bearing installment contracts not to exceed 60 months. The interest income is recorded when the interest amount is considered realizable and collectible, which typically coincides with cash payment. Interest income is not recognized until payments are collected in accordance with the contract. At the time of a pre-need sale, the Partnership records an account receivable in an amount equal to the total contract value less unearned finance income and any cash deposit paid, net of an estimated allowance for customer cancellations. The Partnership recognizes an allowance for cancellation of these receivables based upon its historical experience, which is recorded as a reduction in accounts receivable and a corresponding offset to deferred cemetery revenues, net.

Management evaluates customer receivables for impairment on an individual contract basis based upon its historical experience, including the age of the receivable and the customer's payment history. Since the Partnership's receivables primarily relate to pre-need sales, the Partnership has not performed the service or fulfilled all of its obligations for the merchandise to which the receivable relates and, as such, no risk of loss exists regarding accounts receivable.

Cash and Cash Equivalents

The Partnership considers all highly liquid investments purchased with an original maturity of three months or less from the time they are acquired to be cash equivalents.

Cemetery Property

Cemetery property consists of developed and undeveloped cemetery property, constructed mausoleum crypts and lawn crypts and other cemetery property. Cemetery property is stated at cost or, upon acquisition of a business, at the fair value of the assets acquired.

Property and Equipment

Property and equipment is stated at cost or, upon acquisition of a business, at the fair value of the assets acquired and depreciated on a straight-line basis. Maintenance and repairs are charged to expense as incurred, whereas additions and major replacements are capitalized and depreciation is recorded over their estimated useful lives as follows:

Buildings and improvements	10 to 40 years
Furniture and equipment	3 to 10 years
Leasehold improvements	over the shorter of the term of the lease or the life of the asset

Merchandise Trusts

Pursuant to state law, a portion of the proceeds from pre-need sales of merchandise and services is put into trust (the “merchandise trust”) until such time that the Partnership meets the requirements for releasing trust principal, which is generally delivery of merchandise or performance of services. All investment earnings generated by the assets in the merchandise trusts (including realized gains and losses) are deferred until the associated merchandise is delivered or the services are performed (see Note 6).

Perpetual Care Trusts

Pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. The perpetual care trust principal does not belong to the Partnership and must remain in this trust into perpetuity while interest and dividends may be released and used to defray cemetery maintenance costs, which are expensed as incurred. The Partnership consolidates the trust into its financial statements because the trust is considered a variable interest entity for which the Partnership is the primary beneficiary. Earnings from the perpetual care trusts are recognized in current cemetery revenues (see Note 7).

Inventories

Inventories are classified within other current assets on the Partnership’s consolidated balance sheet and include cemetery and funeral home merchandise valued at the lower of cost or net realizable value. Cost is determined primarily on a specific identification basis on a first-in, first-out basis. Inventories were approximately \$9.7 million and \$5.6 million at December 31, 2015 and 2014, respectively.

Impairment of Long-Lived Assets

The Partnership monitors the recoverability of long-lived assets, including cemetery property, property and equipment and other assets, based on estimates using factors such as current market value, future asset utilization, business and regulatory climate and future undiscounted cash flows expected to result from the use of the related assets, at a location level. The Partnership’s policy is to evaluate an asset for impairment when events or circumstances indicate that a long-lived asset’s carrying value may not be recovered. An impairment charge is recorded to write-down the asset to its fair value if the sum of future undiscounted cash flows is less than the carrying value of the asset.

Other-Than-Temporary Impairment of Trust Assets

The Partnership determines whether or not the impairment of a fixed maturity debt security is other-than-temporary by evaluating each of the following:

- Whether it is the Partnership’s intent to sell the security. If there is intent to sell, the impairment is considered to be other-than-temporary.
- If there is no intent to sell, the Partnership evaluates if it is not more likely than not that it will be required to sell the debt security before its anticipated recovery. If the Partnership determines that it is more likely than not that it will be required to sell an impaired investment before its anticipated recovery, the impairment is considered to be other-than-temporary.

The Partnership further evaluates whether or not all assets in the trusts have other-than-temporary impairments based upon a number of criteria including the severity of the impairment, length of time a security has been in a loss position, changes in market conditions and concerns related to the specific issuer.

If an impairment is considered to be other-than-temporary, the cost basis of the security is adjusted downward to its fair value.

For assets held in the perpetual care trusts, any reduction in the cost basis due to an other-than-temporary impairment is offset with an equal and opposite reduction in the perpetual care trust corpus and has no impact on earnings.

For assets held in the merchandise trusts, any reduction in the cost basis due to an other-than-temporary impairment is recorded in deferred revenue.

Goodwill

The Partnership tests goodwill for impairment at each year end by comparing its reporting units' estimated fair values to carrying values. Because quoted market prices for the reporting units are not available, the Partnership's management must apply judgment in determining the estimated fair value of these reporting units. The Partnership's management uses all available information to make these fair value determinations, including the present values of expected future cash flows using discount rates commensurate with the risks involved in the Partnership's assets and the available market data of the industry group. A key component of these fair value determinations is a reconciliation of the sum of the fair value calculations to the Partnership's market capitalization. The observed market prices of individual trades of an entity's equity securities (and thus its computed market capitalization) may not be representative of the fair value of the entity as a whole. Substantial value may arise from the ability to take advantage of synergies and other benefits that flow from control over another entity. Consequently, measuring the fair value of a collection of assets and liabilities that operate together in a controlled entity is different from measuring the fair value of that entity on a stand-alone basis. In most industries, including the Partnership's, an acquiring entity typically is willing to pay more for equity securities that give it a controlling interest than an investor would pay for a number of equity securities representing less than a controlling interest. Therefore, once the above fair value calculations have been determined, the Partnership's management also considers the inclusion of a control premium within the calculations. This control premium is judgmental and is based on, among other items, observed acquisitions in the Partnership's industry. The resultant fair values calculated for the reporting units are compared to observable metrics on large mergers and acquisitions in the Partnership's industry to determine whether those valuations appear reasonable in management's judgment. Management will continue to evaluate goodwill at least annually, or when impairment indicators arise.

Deferred Cemetery Revenues, Net

Revenues from the sale of services and merchandise, as well as any investment income from the merchandise trust is deferred until such time that the services are performed or the merchandise is delivered.

In addition to amounts deferred on new contracts, and investment income and unrealized gains on our merchandise trust, deferred cemetery revenues, net, includes deferred revenues from pre-need sales that were entered into by entities prior to the acquisition of those entities by the Partnership. The Partnership provides for a reasonable profit margin for these deferred revenues (deferred margin) to account for the future costs of delivering products and providing services on pre-need contracts that the Partnership acquired through acquisition. Deferred margin amounts are deferred until the merchandise is delivered or services are performed.

Cemetery Merchandise and Services Sales

The Partnership sells its merchandise and services on both a pre-need and at-need basis. Sales of at-need cemetery services and merchandise are recognized as revenue when the service is performed or merchandise is delivered.

Pre-need sales are usually made on an installment contract basis for a period not to exceed 60 months with payments of principal and interest required. For those contracts that do not bear a market rate of interest, the Partnership imputes such interest based upon the prime rate plus 150 basis points, which resulted in a rate of 4.75% for contracts entered into during the three years ended December 31, 2015, in order to segregate the principal and interest component of the total contract value.

At the time of a pre-need sale, the Partnership records an account receivable in an amount equal to the total contract value less unearned finance income and any cash deposit paid, net of an estimated allowance for customer cancellations. The revenue from both the sales and interest component is deferred. Interest revenue is recognized utilizing the effective interest method.

The allowance for customer cancellations is established based on management's estimates of expected cancellations and historical experiences. Revenue from the sale of burial lots and constructed mausoleum crypts is deferred until such time that 10% of the sales price has been collected, at which time it is fully earned;

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revenues from the sale of unconstructed mausoleums are recognized using the percentage-of-completion method of accounting while revenues from cemetery merchandise and services are recognized once such merchandise is delivered (title has transferred to the customer and the merchandise is either installed or stored, at the direction of the customer, at the vendor's warehouse or a third-party warehouse at no additional cost to us) or services are performed.

The Partnership defers certain pre-need cemetery and prearranged funeral direct obtaining costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral business. Such costs are expensed as revenues are recognized.

The Partnership recognizes a merchandise liability equal to the estimated cost of services and merchandise for all outstanding and unfulfilled pre-need contracts. The merchandise liability is established and recognized at the time of the sale on the consolidated balance sheet, but is not recognized as an expense on the consolidated statement of operations until such time that the associated revenue for the underlying contract is also recognized. The merchandise liability is established based on actual costs incurred or an estimate of future costs. The merchandise liability is reduced when services are performed or when payment for merchandise is made by the Partnership and title is transferred to the customer.

Funeral Home Service and Insurance Policy Sales

Revenue from funeral home services is recognized as services are performed and merchandise is delivered. The Partnership's funeral home operations also include revenues related to the sale of term and final expense whole life insurance. As an agent for these insurance sales, the Partnership earns and recognizes commission-related revenue streams from the sales of these policies.

Pursuant to state law, a portion of proceeds received from pre-need funeral service contracts is put into trust while amounts used to defray the initial administrative costs are not. All investment earnings generated by the assets in the trust (including realized gains and losses) are deferred until the associated merchandise is delivered or the services are performed. The balance of the amounts in these trusts is included within the merchandise trusts above.

Income Taxes

The Partnership is not subject to U.S. federal and most state income taxes. The partners of the Partnership are liable for income tax in regard to their distributive share of the Partnership's taxable income. Such taxable income may vary substantially from net income reported in the accompanying consolidated financial statements. Certain corporate subsidiaries are subject to federal and state income tax. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and tax carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Partnership records a valuation allowance against its deferred tax assets if it deems that it is more likely than not that some portion or all of the recorded deferred tax assets will not be realizable in future periods.

Net Income (Loss) per Common Unit

Basic net income (loss) attributable to common limited partners per unit is computed by dividing net income (loss) attributable to common limited partners, which is determined after the deduction of the general partner's interest, by the weighted average number of common limited partner units outstanding during the period. Net income (loss) attributable to common limited partners is determined by deducting net income attributable to participating securities, if applicable and net income (loss) attributable to the general partner's units. The general partner's interest in net income (loss) is calculated on a quarterly basis based upon its units and incentive distributions to be distributed for the quarter, with a priority allocation of net income to the general partner's incentive distributions, if any, in accordance with the partnership agreement, and the remaining net income (loss) allocated with respect to the general partner's and limited partners' ownership interests.

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The Partnership presents net income (loss) per unit under the two-class method for master limited partnerships, which considers whether the incentive distributions of a master limited partnership represent a participating security when considered in the calculation of earnings per unit under the two-class method. The two-class method considers whether the partnership agreement contains any contractual limitations concerning distributions to the incentive distribution rights that would impact the amount of earnings to allocate to the incentive distribution rights for each reporting period. If distributions are contractually limited to the incentive distribution rights' share of currently designated available cash for distributions as defined under the partnership agreement, undistributed earnings in excess of available cash should not be allocated to the incentive distribution rights. Under the two-class method, management of the Partnership believes the partnership agreement contractually limits cash distributions to available cash; therefore, undistributed earnings are not allocated to the incentive distribution rights.

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per unit pursuant to the two-class method. Phantom unit awards, which consist of common units issuable under the terms of its long-term incentive plan (see Note 12), contain non-forfeitable rights to distribution equivalents of the Partnership. The participation rights would result in a non-contingent transfer of value each time the Partnership declares a distribution or distribution equivalent right during the award's vesting period. However, unless the contractual terms of the participating securities require the holders to share in the losses of the entity, net loss is not allocated to the participating securities. As such, the net income utilized in the calculation of net income (loss) per unit must be after the allocation of only net income to the phantom units on a pro-rata basis.

The following is a reconciliation of net income (loss) allocated to the common limited partners for purposes of calculating net income (loss) attributable to common limited partners per unit (in thousands, except unit data):

	Years Ended December 31,		
	2015	2014	2013
Net loss	\$ (24,244)	\$ (10,773)	\$ (19,032)
Less: General partner's interest	(315)	(155)	(350)
Net loss attributable to common limited partners	<u>\$ (23,929)</u>	<u>\$ (10,618)</u>	<u>\$ (18,682)</u>

Diluted net income (loss) attributable to common limited partners per unit is calculated by dividing net income (loss) attributable to common limited partners, less income allocable to participating securities, by the sum of the weighted average number of common limited partner units outstanding and the dilutive effect of unit option awards, as calculated by the treasury stock or if converted methods, as applicable. Unit options consist of common units issuable upon payment of an exercise price by the participant under the terms of the Partnership's long-term incentive plan (see Note 12).

The following table sets forth the reconciliation of the Partnership's weighted average number of common limited partner units used to compute basic net income (loss) attributable to common limited partners per unit with those used to compute diluted net income (loss) attributable to common limited partners per unit (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Weighted average number of common limited partner units—basic	30,472	26,582	20,954
Add effect of dilutive incentive awards (1)	—	—	—
Weighted average number of common limited partner units—diluted	<u>30,472</u>	<u>26,582</u>	<u>20,954</u>

(1) The diluted weighted average number of limited partners' units outstanding presented on the consolidated statement of operations does not include 282,093 units, 164,709 units and 297,078 units for the years ended December 31, 2015, 2014 and 2013, respectively, as their effects would be anti-dilutive.

New Accounting Pronouncements

In the second quarter of 2014, the Financial Accounting Standards Board (“FASB”) issued Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”), which supersedes the revenue recognition requirements in “Topic 605 - Revenue Recognition” and most industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During the third quarter of 2015, Update No. 2015-14, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2015-14”) was released, deferring the effective date of the amendments to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted, only as of an annual reporting period beginning after December 15, 2016. The Partnership will adopt the requirements of ASU 2014-09 upon its effective date of January 1, 2018, and is evaluating the potential impact of the adoption on its financial position, results of operations or related disclosures.

In the first quarter of 2015, the FASB issued Update No. 2015-02, “Consolidation (Topic 810)” (“ASU 2015-02”), which amends previous consolidation analysis guidance. ASU 2015-02 requires companies to consider revised consolidation criteria regarding limited partnerships and similar legal entities. The amendments are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early application is permitted. The Partnership will adopt the requirements of ASU 2015-02 upon its effective date of January 1, 2016, and it does not anticipate it having a material impact on its financial position, results of operations, and related disclosures.

In the second quarter of 2015, the FASB issued Update No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which changes the presentation of debt issuance costs. During the third quarter of 2015, Update No. 2015-15, “Interest - Imputation of Interest (Subtopic 835-30)” (“ASU 2015-15”) was released clarifying the treatment of debt issuance costs associated with line-of-credit arrangements. ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. ASU 2015-15 allows the deferral and presentation of debt issuance costs pertaining to line-of-credit arrangements as an asset. The amendments in the update are effective for annual reporting periods beginning after December 15, 2015, including interim periods within those reporting periods. Early application is permitted. The Partnership has elected to early adopt the presentation change regarding its deferred financing cost within its consolidated balance sheets. These deferred financing costs were previously presented as a separate asset caption and are now presented as a direct reduction to long-term debt under the caption, “Long-term debt, net of deferred financing costs.” This change in presentation has decreased “Total assets” and “Total liabilities” by \$9.1 million at December 31, 2014.

In the third quarter of 2015, the FASB issued Update No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” (“ASU 2015-16”). ASU 2015-16 requires that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments are effective for fiscal years beginning after December 15, 2015 and early application is permitted. The Partnership has elected to early adopt the requirements of ASU 2015-16 during the fourth quarter of 2015, and it did not have a material impact on its financial position, results of operations and related disclosures.

In the first quarter of 2016, the FASB issued Update No. 2016-01, “Financial Instruments (Subtopic 825-10)” (“ASU 2016-01”). The core principle of ASU 2016-01 is that all equity investments should be measured at fair value with changes in the fair value recognized through net income. The amendment is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted for the key aspects of the amendment. The Partnership will adopt the requirements of ASU 2016-01 upon its effective date of January 1, 2018, and is evaluating the potential impact of the adoption on its financial position, results of operations and related disclosures.

2. ACQUISITIONS

2015 Acquisitions

During the year ended December 31, 2015, the Partnership acquired the following properties and related assets, net of certain assumed liabilities:

- One funeral home for cash consideration of \$0.9 million on July 21, 2015;
- Three funeral homes and one cemetery for cash consideration of \$5.7 million on August 6, 2015;
- Two cemeteries for cash consideration of \$1.5 million on August 20, 2015;
- One funeral home for cash consideration of \$5.0 million on August 31, 2015, and an additional \$1.0 million paid in 5 annual installments beginning on the 1st anniversary of the closing date; and
- One cemetery and two funeral homes for cash consideration of \$5.7 million on December 1, 2015.

The Partnership accounted for these transactions under the acquisition method of accounting. Accordingly, the Partnership evaluated the identifiable assets acquired and liabilities assumed at their respective acquisition date fair values. All other costs incurred associated with the acquisition of the assets noted were expensed as incurred. The following table presents the Partnership's values assigned to the assets acquired and liabilities assumed in the acquisitions, based on their estimated fair values at the dates of the acquisition, which may be prospectively adjusted as additional information is received (in thousands):

Assets:	
Accounts receivable	\$ 2,761
Cemetery and funeral home property	7,018
Property and equipment	5,941
Inventory	53
Merchandise trusts, restricted	15,075
Perpetual care trusts, restricted	4,134
Intangible assets	406
Total assets	<u>35,388</u>
Liabilities:	
Deferred margin	6,618
Merchandise liabilities	14,414
Perpetual care trust corpus	4,134
Other liabilities	21
Total liabilities	<u>25,187</u>
Fair value of net assets acquired	<u>10,201</u>
Consideration paid—cash	18,800
Deferred cash consideration	876
Total consideration paid	<u>19,676</u>
Gain on bargain purchase	<u>\$ 1,540</u>
Goodwill from purchase	<u>\$11,015</u>

The Partnership recorded goodwill of \$1.1 million and \$9.9 million in the Cemetery and Funeral Home reporting units, respectively, with regard to the properties acquired during the year ended December 31, 2015.

2014 Acquisitions

During the year ended December 31, 2014, the Partnership acquired the following properties and related assets, net of certain assumed liabilities:

- One cemetery for cash consideration of \$0.2 million on January 16, 2014; and
- Two funeral homes for cash consideration of \$2.4 million on December 4, 2014.

The Partnership accounted for these transactions under the acquisition method of accounting. Accordingly, the Partnership evaluated the identifiable assets acquired and liabilities assumed at their respective acquisition date fair values. All other costs incurred associated with the acquisition of the assets noted were expensed as incurred. The following table presents the Partnership's final values assigned to the assets acquired and liabilities assumed in the acquisitions, based on their estimated fair values at the dates of the acquisition (in thousands):

Assets:	
Accounts receivable	\$ 104
Cemetery property	470
Property and equipment	193
Merchandise trusts, restricted	2,685
Perpetual care trusts, restricted	691
Other assets	22
Deferred tax assets	87
Non-compete agreement	520
Total assets	<u>4,772</u>
Liabilities:	
Deferred margin	1,046
Merchandise liabilities	1,007
Deferred tax liability	641
Perpetual care trust corpus	691
Other liabilities	20
Total liabilities	<u>3,405</u>
Fair value of net assets acquired	<u>1,367</u>
Consideration paid—cash	<u>2,581</u>
Total consideration paid	<u>2,581</u>
Gain on bargain purchase	<u>\$ 412</u>
Goodwill from purchase	<u>\$1,626</u>

The Partnership recorded goodwill of \$1.6 million in the Funeral Home reporting unit with regard to the properties acquired and included in the table above during the year ended December 31, 2014.

In addition to the properties noted above, on June 10, 2014, the Partnership acquired twelve cemeteries and nine funeral homes and their related assets, net of certain assumed liabilities, in a single transaction for cash consideration of \$53.8 million.

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The Partnership accounted for this transaction under the acquisition method of accounting. Accordingly, the Partnership evaluated the identifiable assets acquired and liabilities assumed at their respective acquisition date fair values. All other costs incurred associated with the acquisition of the assets noted were expensed as incurred. The following table presents the Partnership's final values assigned to the assets acquired and liabilities assumed in the acquisition, based on their estimated fair values at the date of the acquisition (in thousands):

Assets:	
Accounts receivable	\$ 6,188
Cemetery property	26,029
Property and equipment	15,776
Merchandise trusts, restricted	31,534
Perpetual care trusts, restricted	16,913
Intangible assets	1,170
Other assets	178
Total assets	<u>97,788</u>
Liabilities:	
Deferred margin	13,570
Merchandise liabilities	19,905
Deferred tax liability	2,010
Perpetual care trust corpus	16,913
Other liabilities	63
Total liabilities	<u>52,461</u>
Fair value of net assets acquired	<u>45,327</u>
Consideration paid	<u>53,800</u>
Goodwill from purchase	<u>\$ 8,473</u>

The Partnership recorded goodwill of \$6.1 million and \$2.4 million in the Cemetery and Funeral Home reporting units, respectively, with regard to the properties acquired and included in the table above during the year ended December 31, 2014.

Agreements with the Archdiocese of Philadelphia

On May 28, 2014, certain subsidiaries of the Partnership ("Tenant") and the Archdiocese of Philadelphia ("Landlord") entered into a lease agreement (the "Lease") and a management agreement (the "Management Agreement"), pursuant to which the Tenant will operate 13 cemeteries in Pennsylvania for a term of 60 years and allow the tenant to, among other things and subject to certain limitations, sell burial rights and all related merchandise and services. The Partnership joined the Lease and the Management Agreement as a guarantor of all of the Tenant's obligations under this operating arrangement.

Under the terms of the Lease and Management Agreements:

- the Tenant paid \$53.0 million to the Landlord at closing, and agreed to make aggregate future rental payments of \$36.0 million in accordance with the following schedule:

Lease Years 1-5	None
Lease Years 6-20	\$1,000,000 per Lease Year
Lease Years 21-25	\$1,200,000 per Lease Year
Lease Years 26-35	\$1,500,000 per Lease Year
Lease Years 36-60	None

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- the Lease and Management Agreements may be terminated by the Landlord during the 11th year of the lease in its sole discretion, or by either party due to default or bankruptcy by the end of the 11th year of the lease, subject to certain limitations;
- lease payments for years 6 through 11 shall be deferred until the Landlord determines whether to continue or terminate the Lease during the 11th year of the Lease, or the Tenant terminates the Lease by the end of the 11th year of the lease due to default or bankruptcy. If the Lease is terminated for either reason noted, the lease payments for years 6 through 11 shall be forfeited by the Landlord. Otherwise, the deferred lease payments for years 6 through 11 shall be due and payable 30 days after the end of the 11th year of the lease. If the Landlord terminates the Lease during the 11th year of the Lease, it must repay the \$53.0 million paid at closing by the Tenant. If the Lease is terminated for cause at anytime, the \$53.0 million paid by the Tenant at closing is subject to repayment, subject to certain amortization and other limitations; and
- the Tenant also agreed to make additional rental payments equal to 51% of gross revenues generated from non-ordinary course revenues and property dispositions associated with the properties, less reasonable costs and expenses.

The Partnership accounted for this transaction as a contract-based intangible asset at the present value of the consideration, less the fair value of net assets received at the acquisition date, consisting of acquired accounts receivable. The Partnership also recognized an \$8.4 million liability for the present value of the \$36.0 million of lease payments to be made in future periods at a discount rate of 8.3%. The following table presents the assets acquired and liabilities assumed in the transaction based on their estimated fair values (in thousands):

Assets:	
Accounts receivable	\$ 1,610
Intangible asset	<u>59,758</u>
Total assets	<u>61,368</u>
Liabilities:	
Obligation for lease and management agreements	36,000
Discount on obligation for lease and management agreements	<u>(27,632)</u>
Obligation for lease and management agreements, net	<u>8,368</u>
Total liabilities	<u>8,368</u>
Total net assets	<u>\$ 53,000</u>

2013 Acquisitions

During the year ended December 31, 2013, the Partnership acquired the following properties and related assets, net of certain assumed liabilities:

- Six funeral homes on February 19, 2013 for cash consideration of \$9.1 million, 159,635 common units with an estimated fair value at issuance of \$3.6 million, a promissory note in the amount of \$3.0 million that was payable on February 19, 2014 and an additional \$1.2 million in cash consideration to be paid in six annual installments beginning on February 19, 2014; and
- One cemetery for cash consideration of \$5.0 million on August 1, 2013;

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The Partnership accounted for these transactions under the acquisition method of accounting. Accordingly, the Partnership evaluated the identifiable assets acquired and liabilities assumed at their respective acquisition date fair values. All other costs incurred associated with the acquisition of the assets noted were expensed as incurred. The following table presents the Partnership's final values assigned to the assets acquired and liabilities assumed in the acquisitions, based on their estimated fair values at the dates of the acquisition (in thousands):

Assets:	
Accounts receivable	\$ 1,531
Cemetery property	3,900
Property and equipment	9,362
Merchandise trusts, restricted	10,314
Perpetual care trusts, restricted	5,888
Non-compete agreements	1,927
Total assets	<u>32,922</u>
Liabilities:	
Deferred margin	2,183
Merchandise liabilities	6,091
Deferred tax liability	701
Perpetual care trust corpus	5,888
Other liabilities	258
Total liabilities	<u>15,121</u>
Fair value of net assets acquired	<u>17,801</u>
Consideration paid—cash	14,100
Consideration paid—units	3,592
Fair value of Notes Payable	3,000
Fair value of debt assumed for non-compete agreements	924
Total consideration paid	<u>21,616</u>
Gain on bargain purchase	<u>\$ 2,530</u>
Goodwill from purchase	<u>\$ 6,345</u>

The Partnership recorded goodwill of \$6.3 million in the Funeral Home reporting unit with regard to the properties acquired and included in the table above during the year ended December 31, 2013.

The following data presents pro forma revenues, net income (loss) and basic and diluted net income (loss) per unit for the Partnership as if the acquisitions consummated during the years ended December 31, 2015 and 2014, including the related financings, had occurred as of January 1, 2014. The Partnership prepared these pro forma unaudited financial results for comparative purposes only; they may not be indicative of the results that would have occurred if the acquisitions consummated during the years ended December 31, 2015 and 2014 and the related financings had occurred on January 1, 2014 or the results that will be attained in future periods (in thousands, except per unit data; unaudited):

	Years Ended December 31,	
	2015	2014
Revenue	\$ 310,712	\$ 309,746
Net loss	(25,340)	(8,188)
Net loss per limited partner unit (basic and diluted)	\$ (.82)	\$ (.28)

Since their respective dates of acquisition, the properties acquired in 2015 have contributed \$2.1 million of revenue and \$0.2 million of operating profit for the year ended December 31, 2015. The properties acquired in

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2014 have contributed \$43.9 million of revenue and \$5.4 million of operating profit for the year ended December 31, 2015 and \$19.3 million of revenue and \$1.6 million of operating profit for the year ended December 31, 2014. The properties acquired in 2013 have contributed \$6.6 million of revenue and \$0.7 million of operating profit for the year ended December 31, 2015, \$6.0 million of revenue and \$0.7 million of operating profit for the year ended December 31, 2014 and \$3.9 million of revenue and \$0.1 million of operating profit for the year ended December 31, 2013.

During the year ended December 31, 2013, the Partnership recovered \$18.4 million, net of legal fees, costs and contractual obligations, related to the settlement of claims from locations that it acquired in prior years. Of the amount recovered, \$11.9 million was received in cash proceeds and \$6.5 million was contributed to the related perpetual care and merchandise trusts. The Partnership recognized a gain on settlement agreement of \$12.3 million for this transaction during the year ended December 31, 2013.

3. ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Long-term accounts receivable, net, consisted of the following at the dates indicated (in thousands):

	December 31,	
	2015	2014
Customer receivables	\$ 207,645	\$ 194,537
Unearned finance income	(20,078)	(20,360)
Allowance for contract cancellations	(23,985)	(22,138)
Accounts receivable, net of allowance	163,582	152,039
Less: current portion—net of allowance	68,415	62,503
Long-term portion—net of allowance	<u>\$ 95,167</u>	<u>\$ 89,536</u>

Activity in the allowance for contract cancellations is as follows (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Balance—beginning of period	\$ 22,138	\$ 20,275	\$ 17,933
Provision for cancellations	25,307	20,870	20,069
Charge-offs—net	(23,460)	(19,007)	(17,727)
Balance—end of period	<u>\$ 23,985</u>	<u>\$ 22,138</u>	<u>\$ 20,275</u>

4. CEMETERY PROPERTY

Cemetery property consists of the following at the dates indicated (in thousands):

	December 31,	
	2015	2014
Developed land	\$ 83,834	\$ 79,058
Undeveloped land	169,482	172,238
Mausoleum crypts and lawn crypts	77,526	78,524
Other land	11,797	10,028
Cemetery property	<u>\$ 342,639</u>	<u>\$ 339,848</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at the dates indicated (in thousands):

	December 31,	
	2015	2014
Building and improvements	\$ 117,034	\$ 108,178
Furniture and equipment	54,346	49,290
Property and equipment—gross	171,380	157,468
Less: accumulated depreciation	(67,050)	(57,077)
Property and equipment, net of accumulated depreciation	<u>\$ 104,330</u>	<u>\$ 100,391</u>

Depreciation expense was \$10.6 million, \$8.9 million and \$7.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

6. MERCHANDISE TRUSTS

At December 31, 2015 and 2014, the Partnership's merchandise trusts consisted of investments in debt and equity marketable securities and cash equivalents, both directly as well as through mutual and investment funds. Certain assets related to 2015 acquisitions have not yet been received. Accordingly, a portion of the assets are shown in a single line item in the disclosures below as "Assets acquired via acquisition" and the cost basis and fair value of such assets are based upon preliminary estimates that the Partnership is required to make in accordance with Accounting Topic 805.

All of these investments are classified as Available for Sale and accordingly, all of the assets are carried at fair value. All of these investments are considered either Level 1 or Level 2 assets pursuant to the three-level hierarchy (see Note 14). There were no Level 3 assets.

The merchandise trusts are variable interest entities (VIE) for which the Partnership is the primary beneficiary. The assets held in the merchandise trusts are required to be used to purchase the merchandise to which they relate. If the value of these assets falls below the cost of purchasing such merchandise, the Partnership may be required to fund this shortfall.

The Partnership included \$8.2 million and \$8.3 million of investments held in trust by the West Virginia Funeral Directors Association at December 31, 2015 and December 31, 2014, respectively in its merchandise trust assets. As required by law, the Partnership deposits a portion of certain funeral merchandise sales in West Virginia into a trust that is held by the West Virginia Funeral Directors Association. These trusts are recognized at their account value, which approximates fair value.

A reconciliation of the Partnership's merchandise trust activities for the years ended December 31, 2015 and 2014 is presented below (in thousands):

	Years Ended December 31,	
	2015	2014
Balance—beginning of period	\$ 484,820	\$ 431,556
Contributions	80,693	87,271
Distributions	(50,987)	(57,788)
Interest and dividends	21,859	21,827
Capital gain distributions	2,413	1,242
Realized gains and losses	13,941	14,857
Other than temporary impairment	(54,527)	—
Taxes	(3,271)	(2,543)
Fees	(3,296)	(2,890)
Unrealized change in fair value	(26,969)	(8,712)
Balance—end of period	<u>\$ 464,676</u>	<u>\$ 484,820</u>

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During the year ended December 31, 2015, purchases and sales of securities available for sale included in trust investments were approximately \$554.7 million and \$522.2 million, respectively. During the year ended December 31, 2014, purchases and sales of securities available for sale included in trust investments were approximately \$430.5 million and \$440.8 million, respectively.

The cost and market value associated with the assets held in the merchandise trusts at December 31, 2015 and 2014 were as follows (in thousands):

December 31, 2015	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments	1	\$ 35,150	\$ —	\$ —	\$ 35,150
Fixed maturities:					
U.S. State and local government agency	2	98	6	(3)	101
Corporate debt securities	2	11,922	8	(546)	11,384
Other debt securities	2	7,150	11	(7)	7,154
Total fixed maturities		<u>19,170</u>	<u>25</u>	<u>(556)</u>	<u>18,639</u>
Mutual funds—debt securities	1	232,096	86	(10,713)	221,469
Mutual funds—equity securities	1	139,341	69	(12,249)	127,161
Equity securities	1	49,563	1,127	(2,474)	48,216
Other invested assets	2	1,681	—	—	1,681
Total managed investments		<u>\$477,001</u>	<u>\$ 1,307</u>	<u>\$ (25,992)</u>	<u>\$452,316</u>
Assets acquired via acquisition		4,185	—	—	4,185
West Virginia Trust Receivable		8,175	—	—	8,175
Total		<u>\$489,361</u>	<u>\$ 1,307</u>	<u>\$ (25,992)</u>	<u>\$464,676</u>
December 31, 2014	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments	1	\$ 52,521	\$ —	\$ —	\$ 52,521
Fixed maturities:					
U.S. State and local government agency	2	270	—	(1)	269
Corporate debt securities	2	9,400	23	(447)	8,976
Other debt securities	2	7,157	—	(18)	7,139
Total fixed maturities		<u>16,827</u>	<u>23</u>	<u>(466)</u>	<u>16,384</u>
Mutual funds—debt securities	1	150,477	869	(8,666)	142,680
Mutual funds—equity securities	1	167,353	12,568	(463)	179,458
Equity securities	1	81,639	4,167	(5,507)	80,299
Other invested assets	2	5,400	—	(241)	5,159
Total managed investments		<u>\$474,217</u>	<u>\$ 17,627</u>	<u>\$ (15,343)</u>	<u>\$476,501</u>
West Virginia Trust Receivable		8,319	—	—	8,319
Total		<u>\$482,536</u>	<u>\$ 17,627</u>	<u>\$ (15,343)</u>	<u>\$484,820</u>

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The contractual maturities of debt securities held within the merchandise trusts as of December 31, 2015 were as follows (in thousands):

December 31, 2015	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
U.S. State and local government agency	\$ —	\$ 23	\$ 78	\$ —
Corporate debt securities	—	8,152	3,232	—
Other debt securities	3,520	3,634	—	—
Total fixed maturities	<u>\$ 3,520</u>	<u>\$ 11,809</u>	<u>\$ 3,310</u>	<u>\$ —</u>

Temporary Declines in Fair Value

The Partnership evaluates declines in fair value below cost for each asset held in the merchandise trusts on a quarterly basis.

An aging of unrealized losses on the Partnership's investments in debt and equity securities within the merchandise trusts at December 31, 2015 and December 31, 2014 is presented below:

December 31, 2015	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. State and local government agency	\$ —	\$ —	\$ 33	\$ 3	\$ 33	\$ 3
Corporate debt securities	7,247	411	1,513	135	8,760	546
Other debt securities	2,883	7	—	—	2,883	7
Total fixed maturities	<u>10,130</u>	<u>418</u>	<u>1,546</u>	<u>138</u>	<u>11,676</u>	<u>556</u>
Mutual funds—debt securities	121,777	6,938	36,682	3,775	158,459	10,713
Mutual funds—equity securities	58,467	10,994	5,465	1,255	63,932	12,249
Equity securities	21,480	2,275	649	199	22,129	2,474
Total	<u>\$211,854</u>	<u>\$ 20,625</u>	<u>\$44,342</u>	<u>\$ 5,367</u>	<u>\$256,196</u>	<u>\$ 25,992</u>

December 31, 2014	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. State and local government agency	\$ 143	\$ 1	\$ —	\$ —	\$ 143	\$ 1
Corporate debt securities	5,905	342	1,506	105	7,411	447
Other debt securities	2,370	8	4,769	10	7,139	18
Total fixed maturities	<u>8,418</u>	<u>351</u>	<u>6,275</u>	<u>115</u>	<u>14,693</u>	<u>466</u>
Mutual funds—debt securities	32,072	1,039	95,629	7,627	127,701	8,666
Mutual funds—equity securities	4,147	463	—	—	4,147	463
Equity securities	44,563	4,641	3,909	866	48,472	5,507
Other invested assets	—	—	4,881	241	4,881	241
Total	<u>\$89,200</u>	<u>\$ 6,494</u>	<u>\$110,694</u>	<u>\$ 8,849</u>	<u>\$199,894</u>	<u>\$ 15,343</u>

For all securities in an unrealized loss position, the Partnership evaluated the severity of the impairment and length of time that a security has been in a loss position and concluded the decline in fair value below the asset's cost was temporary in nature. In addition, the Partnership is not aware of any circumstances that would prevent the future market value recovery for these securities.

Other-Than-Temporary Impairment of Trust Assets

The Partnership assesses its merchandise trust assets for other-than-temporary declines in fair value on a quarterly basis. During the year ended December 31, 2015, the Partnership determined that there were securities with an aggregate cost basis of approximately \$196.8 million and an aggregate fair value of approximately \$142.3 million, resulting in an impairment of \$54.5 million, with such impairment considered to be other-than-temporary. During the year ended December 31, 2014, the Partnership determined that there were securities with an aggregate cost basis of approximately \$0.9 million and an aggregate fair value of approximately \$0.5 million, resulting in an impairment of \$0.4 million, with such impairment considered to be other-than-temporary. Accordingly, the Partnership adjusted the cost basis of these assets to their fair value, with a corresponding adjustment to deferred cemetery revenue, net on the consolidated balance sheet. This adjustment to deferred cemetery revenue, net will be reflected within the Partnership's consolidated statement of operations in future periods as the underlying merchandise is delivered or the underlying service is performed.

7. PERPETUAL CARE TRUSTS

At December 31, 2015 and 2014, the Partnership's perpetual care trusts consisted of investments in debt and equity marketable securities and cash equivalents, both directly as well as through mutual and investment funds. Certain assets related to 2015 acquisitions have not yet been received. Accordingly, a portion of the assets are shown in a single line item in the disclosures below as "Assets acquired via acquisition" and the cost basis and fair value of such assets are based upon preliminary estimates that the Partnership is required to make in accordance with Accounting Topic 805.

All of these investments are classified as Available for Sale and accordingly, all of the assets are carried at fair value. All of these investments are considered either Level 1 or Level 2 assets pursuant to the three-level hierarchy (see Note 14). There were no Level 3 assets. The perpetual care trusts are VIEs for which the Partnership is the primary beneficiary.

A reconciliation of the Partnership's perpetual care trust activities for the years ended December 31, 2015 and 2014 is presented below (in thousands):

	Years Ended December 31,	
	2015	2014
Balance - beginning of period	\$ 345,105	\$ 311,771
Contributions	15,919	34,332
Distributions	(15,003)	(14,308)
Interest and dividends	18,019	15,044
Capital gain distributions	1,952	125
Realized gains and losses	12,323	(164)
Other than temporary impairment	(29,047)	—
Taxes	(631)	(654)
Fees	(2,163)	(2,054)
Unrealized change in fair value	(38,670)	1,013
Balance - end of period	<u>\$ 307,804</u>	<u>\$ 345,105</u>

During the year ended December 31, 2015, purchases and sales of securities available for sale included in trust investments were approximately \$359.3 million and \$349.0 million, respectively. During the year ended December 31, 2014, purchases and sales of securities available for sale included in trust investments were approximately \$157.5 million and \$165.7 million, respectively.

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The cost and market value associated with the assets held in the perpetual care trusts at December 31, 2015 and 2014 were as follows (in thousands):

December 31, 2015	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments	1	\$ 36,618	\$ —	\$ —	\$ 36,618
Fixed maturities:					
U.S. State and local government agency	2	126	14	—	140
Corporate debt securities	2	22,837	57	(845)	22,049
Other debt securities	2	36	—	(1)	35
Total fixed maturities		22,999	71	(846)	22,224
Mutual funds - debt securities	1	184,866	35	(7,180)	177,721
Mutual funds - equity securities	1	68,079	1,054	(1,713)	67,420
Equity securities	1	2,319	636	(7)	2,948
Other invested assets	2	473	1	(162)	312
Total managed investments		<u>\$315,354</u>	<u>\$ 1,797</u>	<u>\$ (9,908)</u>	<u>\$307,243</u>
Assets acquired via acquisition		561	—	—	561
Total		<u>\$315,915</u>	<u>\$ 1,797</u>	<u>\$ (9,908)</u>	<u>\$307,804</u>

December 31, 2014	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments	1	\$ 26,644	\$ —	\$ —	\$ 26,644
Fixed maturities:					
U.S. Government and federal agency	1	100	16	—	116
U.S. State and local government agency	2	78	1	—	79
Corporate debt securities	2	24,275	104	(913)	23,466
Other debt securities	2	371	—	—	371
Total fixed maturities		24,824	121	(913)	24,032
Mutual funds - debt securities	1	128,735	379	(5,220)	123,894
Mutual funds - equity securities	1	103,701	23,003	(1,268)	125,436
Equity securities	1	30,617	14,704	(247)	45,074
Other invested assets	2	25	—	—	25
Total		<u>\$314,546</u>	<u>\$ 38,207</u>	<u>\$ (7,648)</u>	<u>\$345,105</u>

The contractual maturities of debt securities held in the perpetual care trusts as of December 31, 2015 were as follows (in thousands):

December 31, 2015	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
U.S. State and local government agency	—	112	28	—
Corporate debt securities	202	16,138	5,650	59
Other debt securities	35	—	—	—
Total fixed maturities	<u>\$ 237</u>	<u>\$ 16,250</u>	<u>\$ 5,678</u>	<u>\$ 59</u>

Temporary Declines in Fair Value

The Partnership evaluates declines in fair value below cost of each individual asset held in the perpetual care trusts on a quarterly basis.

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An aging of unrealized losses on the Partnership's investments in fixed maturities and equity securities at December 31, 2015 and 2014 is presented below:

	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2015	(in thousands)					
Fixed maturities:						
U.S. State and local government agency	\$ —	\$ —	\$ 112	\$ —	\$ 112	\$ —
Corporate debt securities	12,482	535	4,505	310	16,987	845
Other debt securities	35	1	—	—	35	1
Total fixed maturities	<u>12,517</u>	<u>536</u>	<u>4,617</u>	<u>310</u>	<u>17,134</u>	<u>846</u>
Mutual funds - debt securities	81,215	4,263	50,774	2,917	131,989	7,180
Mutual funds - equity securities	16,514	1,363	4,308	350	20,822	1,713
Equity securities	488	6	1,137	1	1,625	7
Other invested assets	—	—	315	162	315	162
Total	<u>\$ 110,734</u>	<u>\$ 6,168</u>	<u>\$ 61,151</u>	<u>\$ 3,740</u>	<u>\$ 171,885</u>	<u>\$ 9,908</u>
December 31, 2014	(in thousands)					
Fixed maturities:						
Corporate debt securities	\$ 14,434	\$ 798	\$ 2,519	\$ 115	\$ 16,953	\$ 913
Other debt securities	—	—	—	—	—	—
Total fixed maturities	<u>14,434</u>	<u>798</u>	<u>2,519</u>	<u>115</u>	<u>16,953</u>	<u>913</u>
Mutual funds - debt securities	30,345	768	86,814	4,452	117,159	5,220
Mutual funds - equity securities	13,035	1,268	—	—	13,035	1,268
Equity securities	3,866	245	620	2	4,486	247
Other invested assets	—	—	—	—	—	—
Total	<u>\$ 61,680</u>	<u>\$ 3,079</u>	<u>\$ 89,953</u>	<u>\$ 4,569</u>	<u>\$ 151,633</u>	<u>\$ 7,648</u>

For all securities in an unrealized loss position, the Partnership evaluated the severity of the impairment and length of time that a security has been in a loss position and concluded the decline in fair value below the asset's cost was temporary in nature. In addition, the Partnership is not aware of any circumstances that would prevent the future market value recovery for these securities.

Other-Than-Temporary Impairment of Trust Assets

The Partnership assesses its perpetual care trust assets for other-than-temporary declines in fair value on a quarterly basis. During the year ended December 31, 2015, the Partnership determined that there were securities with an aggregate cost basis of approximately \$107.7 million and an aggregate fair value of approximately \$78.7 million, resulting in an impairment of \$29.0 million, with such impairment considered to be other-than-temporary. During the year ended December 31, 2014, the Partnership determined that there were securities with an aggregate cost basis of approximately \$1.4 million and an aggregate fair value of approximately \$0.8 million, resulting in an impairment of \$0.6 million, with such impairment considered to be other-than-temporary. Accordingly, the Partnership adjusted the cost basis of these assets to their current value and offset this change against the liability for perpetual care trust corpus.

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Partnership has revised its reporting units from prior presentations based on how it currently manages the operating segments. There are now two reporting units, which are classified as Cemetery Operations and Funeral Homes. The Partnership has recorded goodwill of approximately \$69.9 million and \$58.8 million as of December 31, 2015 and 2014, respectively. This amount represents the excess of the purchase price over the fair value of identifiable net assets acquired (see Note 2).

A rollforward of goodwill by reportable segment is as follows (in thousands):

	<u>Cemeteries</u>	<u>Funeral Homes</u>	<u>Total</u>
Balance at December 31, 2013	\$ 18,122	\$ 30,615	\$48,737
Goodwill from acquisitions during 2014	6,064	4,035	10,099
Balance at December 31, 2014	24,186	34,650	58,836
Goodwill from acquisitions during 2015	1,134	9,881	11,015
Balance at December 31, 2015	<u>\$ 25,320</u>	<u>\$ 44,531</u>	<u>\$69,851</u>

The Partnership tests goodwill for impairment at each year end by comparing its reporting units' estimated fair values to carrying values (see Note 1). There were no goodwill impairments recognized by the Partnership during the years ended December 31, 2015, 2014 and 2013. Management will continue to evaluate goodwill at least annually or when impairment indicators arise.

Intangible Assets

The Partnership has intangible assets with finite lives recognized in connection with acquisitions and long-term lease, management and operating agreements. The Partnership amortizes these intangible assets over their estimated useful lives. The following table reflects the components of intangible assets at December 31, 2015 and 2014 (in thousands):

	<u>December 31, 2015</u>			<u>December 31, 2014</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Intangible Asset</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Intangible Asset</u>
Lease and management agreements	\$ 59,758	\$ (1,577)	\$ 58,181	\$ 59,758	\$ (581)	\$ 59,177
Underlying contract value	6,239	(1,014)	5,225	6,239	(858)	5,381
Non-compete agreements	5,656	(3,112)	2,544	5,250	(2,126)	3,124
Other intangible assets	1,439	(180)	1,259	1,439	(131)	1,308
Total intangible assets	<u>\$ 73,092</u>	<u>\$ (5,883)</u>	<u>\$ 67,209</u>	<u>\$ 72,686</u>	<u>\$ (3,696)</u>	<u>\$ 68,990</u>

Amortization expense for intangible assets was \$2.2 million, \$2.1 million, and \$2.0 million for the years ended December 31, 2015, 2014, and 2013 respectively. The following is estimated amortization expense related to intangible assets with finite lives for the five years subsequent to December 31, 2015 (in thousands):

2016	\$2,181
2017	\$1,956
2018	\$1,708
2019	\$1,440
2020	\$1,266

9. LONG-TERM DEBT

Total debt consists of the following at the dates indicated (in thousands):

	December 31,	
	2015	2014
Credit Facility:		
Working Capital Draws	\$ 105,000	\$ 85,902
Acquisition Draws	44,500	25,000
7.875% Senior Notes, due June 2021	172,186	171,783
Notes payable - acquisition debt	687	861
Notes payable - acquisition non-competes	1,629	2,451
Insurance and vehicle financing	2,336	1,632
Less deferred financing costs, net of accumulated amortization	(7,499)	(9,089)
Total debt	318,839	278,540
Less current maturities	(2,440)	(2,251)
Total long-term debt	<u>\$ 316,399</u>	<u>\$ 276,289</u>

Credit Facility

The Partnership is a party to the Fourth Amended and Restated Credit Agreement (the "Credit Agreement") which provides for a single revolving credit facility of \$180.0 million (the "Credit Facility") maturing on December 19, 2019. Additionally the Credit Agreement provides for an uncommitted ability to increase the Credit Facility by an additional \$70.0 million. The Partnership's obligations under the Credit Facility are secured by substantially all of the assets of the Partnership, excluding those held in trust. Borrowings under the Credit Facility are classified as either acquisition draws or working capital draws. Acquisition draws may be utilized to finance permitted acquisitions, the purchase and construction of mausoleums and related costs or the net amount of merchandise trust deposits. Working capital draws may be utilized to finance working capital requirements, capital expenditures and for other general corporate purposes. The amount of the Credit Facility that is available for working capital draws is subject to a borrowing formula equal to 85% of eligible accounts receivable, as defined within the Credit Agreement. At December 31, 2015, the amount available under the Credit Facility for working capital advances under this limit was \$139.0 million.

Each individual acquisition draw is subject to equal quarterly amortization of the principal amount, with annual principal payments comprised of ten percent of the related advance amount, commencing on the second anniversary of such advance, with the remaining principal due on December 19, 2019, subject to certain mandatory prepayment requirements. Up to \$10.0 million of the Credit Facility may be in the form of standby letters of credit, of which there were none outstanding at December 31, 2015 and 2014.

Borrowings under the Credit Facility bear interest, at the Partnership's election, at either an adjusted LIBOR rate plus an applicable margin between 2.25% and 4.00% per annum or the base rate (which is the higher of the bank's prime rate, the Federal funds rate plus 0.5% or one-month LIBOR plus 1.00%) plus an applicable margin between 1.25% and 3.00% per annum. The Partnership is also required to pay a fee on the unused portion of the Credit Facility at a rate between 0.375% and 0.8% per annum, which is included within interest expense on the Partnership's consolidated statements of operations. At December 31, 2015, the weighted average interest rate on outstanding borrowings under the Credit Facility was 3.8%.

The Credit Agreement contains customary covenants that limit the Partnership's ability to incur additional indebtedness, grant liens, make loans or investments, make cash distributions if a default exists or would result from the distribution, merger or consolidation with other persons, or engage in certain asset dispositions

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including the sale of all or substantially all of its assets. The Partnership was in compliance with these covenants as of December 31, 2015. The Credit Agreement also requires the Partnership to maintain:

- Consolidated EBITDA (as defined in the Credit Agreement), calculated over a period of four consecutive fiscal quarters, to be no less than the sum of (i) \$80.0 million plus (ii) 80% of the aggregate Consolidated EBITDA for each permitted acquisition completed after June 30, 2014;
- the ratio of Consolidated EBITDA (as defined in the Credit Agreement) to Consolidated Debt Service (as defined in the Credit Agreement), calculated over a period of four fiscal quarters, or the Consolidated Debt Service Coverage Ratio, of not less than 2.50 to 1.00 for any period; and
- the ratio of Consolidated Funded Indebtedness (as defined in the Credit Agreement) to Consolidated EBITDA (as defined in the Credit Agreement), calculated over a period of four fiscal quarters, or the Consolidated Leverage Ratio, of not greater than 4.00 to 1.00 for any period.

At December 31, 2015, the Partnership's Consolidated Leverage Ratio and the Consolidated Debt Service Coverage Ratio were 3.23 and 4.62, respectively.

Senior Notes

On May 28, 2013, the Partnership issued \$175.0 million aggregate principal amount of 7.875% Senior Notes due 2021 (the "Senior Notes"). The Partnership pays 7.875% interest per annum on the principal amount of the Senior Notes, payable in cash semi-annually in arrears on June 1 and December 1 of each year. The net proceeds from the offering were used to retire a \$150.0 million aggregate principal amount of 10.25% Senior Notes due 2017 and the remaining proceeds were used for general corporate purposes. The Senior Notes were issued at 97.832% of par resulting in gross proceeds of \$171.2 million with an original issue discount of approximately \$3.8 million. The Partnership incurred debt issuance costs and fees of approximately \$4.6 million. These costs and fees are deferred and will be amortized over the life of the Senior Notes. The Senior Notes mature on June 1, 2021.

At any time prior to June 1, 2016, the Partnership may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of certain equity offerings at the redemption price of 107.875%, plus accrued and unpaid interest, if any, to the redemption date, provided that (i) at least 65% of the aggregate principal amount of the Senior Notes remain outstanding and (ii) the redemption occurs within 180 days of the closing date of such equity offering. At any time on or after June 1, 2016, we may redeem the Senior Notes, in whole or in part, at the redemption prices (expressed as percentages of the principal amount) set forth below, together with accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period beginning June 1 of the years indicated:

Year	Percentage
2016	105.906%
2017	103.938%
2018	101.969%
2019 and thereafter	100.000%

In addition, at any time prior to June 1, 2016, the Partnership may also redeem all or any portion of the Senior Notes, at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus the Applicable Premium (as defined in the Indenture), including accrued and unpaid interest.

Subject to certain exceptions, upon the occurrence of a Change of Control (as defined in the Indenture), each holder of the Senior Notes will have the right to require the Partnership to purchase that holder's Senior Notes for a cash price equal to 101% of the principal amounts to be purchased, plus accrued and unpaid interest.

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The Senior Notes are jointly and severally guaranteed by certain of our material subsidiaries. The Indenture governing the Senior Notes contains covenants, including limitations of the Partnership's ability to incur additional indebtedness and liens, make certain dividends, distributions, redemptions or investments, enter into certain transactions with affiliates, make certain asset sales, and engage in certain mergers, consolidations or sales of all or substantially all of the Partnership's assets. As of December 31, 2015, the Partnership was in compliance with these covenants.

10. INCOME TAXES

The Partnership is not subject to U.S. federal and most state income taxes. The partners of the Partnership are liable for income tax in regard to their distributive share of the Partnership's taxable income. Such taxable income may vary substantially from net income reported in the accompanying consolidated financial statements. Certain corporate subsidiaries are subject to federal and state income tax. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and tax carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Partnership records a valuation allowance against its deferred tax assets if it deems that it is more likely than not that some portion or all of the recorded deferred tax assets will not be realizable in future periods.

Income tax expense (benefit) for the years ended December 31, 2015, 2014 and 2013 consisted of the following (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current provision:			
State	\$ 723	\$ 869	\$ 685
Federal	—	—	—
Foreign	229	302	(125)
Total	952	1,171	560
Deferred provision:			
State	(355)	313	292
Federal	387	2,429	(3,156)
Foreign	124	—	—
Total	156	2,742	(2,864)
Total income tax expense (benefit)	<u>\$ 1,108</u>	<u>\$ 3,913</u>	<u>\$(2,304)</u>

A reconciliation of the federal statutory tax rate to the Partnership's effective tax rate is as follows (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Computed tax provision (benefit) at the applicable statutory tax rate	35.0%	35.0%	35.0%
State and local taxes net of federal income tax benefit	-2.6%	-15.6%	-2.2%
Tax exempt (income) loss	-4.4%	-15.0%	-7.2%
Change in valuation allowance	-	-	-
	65.1%	158.2%	43.1%
Partnership earnings not subject to tax	32.0%	96.6%	12.0%
Permanent differences	0.2%	0.9%	15.6%
Other	0.1%	-0.7%	0.7%
Income tax expense (benefit)	<u>-4.8%</u>	<u>-57.0%</u>	<u>10.8%</u>

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Significant components of the deferred tax assets and liabilities were as follows (in thousands):

	December 31,	
	2015	2014
Deferred tax assets:		
Prepaid expenses	\$ 7,626	\$ 5,373
State net operating loss	14,260	13,015
Federal net operating loss	91,571	78,084
Other	67	(831)
Valuation allowance	(75,344)	(57,148)
Total deferred tax assets	<u>38,180</u>	<u>38,493</u>
Deferred tax liabilities:		
Property, plant and equipment	9,290	8,058
Deferred revenue related to future revenues and accounts receivable	37,475	39,164
Deferred revenue related to cemetery property	9,208	8,939
Total deferred tax liabilities	<u>55,973</u>	<u>56,161</u>
Net deferred tax liabilities	<u>\$ 17,793</u>	<u>\$ 17,668</u>

Net deferred tax assets and liabilities were classified on the consolidated balance sheets as follows:

Deferred tax assets	\$ 40	\$ 40
Noncurrent assets	40	40
Deferred tax assets	38,140	38,453
Deferred tax liabilities	55,973	56,161
Noncurrent liabilities	17,833	17,708
Net deferred tax liabilities	<u>\$ 17,793</u>	<u>\$ 17,668</u>

At December 31, 2015, the Partnership had available approximately less than \$0.1 million of alternative minimum tax credit carryforwards, which are available indefinitely, and \$261.8 million of federal net operating loss carryforwards, which will begin to expire in 2017 and \$321.8 million in state net operating loss carryforwards, a portion of which expires annually.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. At December 31, 2015, based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Partnership will realize the benefits of these deductible differences. The amount of deferred tax assets considered realizable could be reduced in the future if estimates of future taxable income during the carryforward period are reduced.

In accordance with applicable accounting standards, the Partnership recognizes only the impact of income tax positions that, based upon their merits, are more likely than not to be sustained upon audit by a taxing authority. To evaluate its current tax positions in order to identify any material uncertain tax positions, the Partnership developed a policy of identifying and evaluating uncertain tax positions that considers support for each tax position, industry standards, tax return disclosures and schedules and the significance of each position. It is the Partnership's policy to recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense. At December 31, 2015 and 2014, the Partnership had no material uncertain tax positions.

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The Partnership is not currently under examination by any federal or state jurisdictions. The federal statute of limitations and certain state statutes of limitations are open from 2012 forward.

11. DEFERRED CEMETERY REVENUES, NET

The Partnership defers revenues and all direct costs associated with the sale of pre-need cemetery merchandise and services until the merchandise is delivered or the services are performed. The Partnership recognizes deferred cemetery merchandise and service revenues as deferred cemetery revenues, net, within long-term liabilities on its consolidated balance sheet. The Partnership recognizes deferred direct costs associated with pre-need cemetery merchandise and service revenues as deferred selling and obtaining costs within long-term assets on its consolidated balance sheet. The Partnership also defers the costs to obtain new pre-need cemetery and new prearranged funeral business as well as the investment earnings on the prearranged services and merchandise trusts (see Note 1).

At December 31, 2015 and 2014, deferred cemetery revenues, net, consisted of the following (in thousands):

	December 31,	
	2015	2014
Deferred cemetery revenue	\$ 531,905	\$ 456,632
Deferred merchandise trust revenue	80,294	104,717
Deferred merchandise trust unrealized gains (losses)	(24,685)	2,284
Deferred pre-acquisition margin	142,672	140,378
Deferred cost of goods sold	(92,650)	(60,603)
Deferred cemetery revenues, net	\$ 637,536	\$ 643,408
Deferred selling and obtaining costs	\$ 111,542	\$ 97,795

12. LONG-TERM INCENTIVE AND RETIREMENT PLANS

2014 Long-Term Incentive Plan

During the year ended December 31, 2014, the General Partner's Board of Directors (the "Board") and the Partnership's unitholders approved a Long-Term Incentive Plan ("2014 LTIP"). The compensation committee of the Board (the "Compensation Committee") administers the 2014 LTIP. The 2014 LTIP permits the grant of awards, which may be in the form of phantom units, restricted units, unit appreciation rights ("UAR"), or unit options, including performance factors for each, covering an aggregate of 1,500,000 common units, a number that the Board may increase by up to 100,000 common units per year. At December 31, 2015, the estimated number of common units to be issued upon vesting and exercise of outstanding rights under this plan was 102,661, including management's estimated amounts for awards with performance factors. A cumulative number of 14,455 common units have been issued, leaving 1,382,884 common units available for future issuance under the plan, assuming no increases by the Board.

Phantom Unit Awards

Phantom units represent rights to receive a common unit or an amount of cash, or a combination of either, based upon the value of a common unit. Phantom units become payable, in cash or common units, at the Partnership's election, upon the separation of directors and executives from service or upon the occurrence of certain other events specified in the underlying agreements. Phantom units are subject to terms and conditions determined by the Compensation Committee, which may include vesting restrictions. In tandem with phantom unit grants, the compensation committee may grant distribution equivalent rights ("DERs"), which are the right to receive an amount in cash or common units equal to the cash distributions made by the Partnership with respect to common unit during the period that the underlying phantom unit is outstanding. All phantom units outstanding under the 2014 LTIP at December 31, 2015 contain tandem DERs.

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The following table sets forth the 2014 LTIP phantom unit award activity for the years ended December 31, 2015, and 2014, respectively:

	Years Ended December 31,	
	2015	2014
Outstanding, beginning of period	2,189	—
Granted (1)	122,154	2,189
Settled in common units or cash (1)	(14,455)	—
Performance vesting forfeiture	(7,227)	—
Outstanding, end of period (2)	<u>102,661</u>	<u>2,189</u>

- (1) The weighted-average grant date fair value for the unit awards on the date of grant was \$26.94 and \$26.27 for the years ended December 31, 2015 and 2014, respectively. The intrinsic values of unit awards vested during the years ended December 31, 2015 and 2014 were \$0.6 million and \$0.1 million, respectively.
- (2) Based on the closing price of the common units on December 31, 2015, the estimated intrinsic value of the outstanding unit awards was \$2.7 million at December 31, 2015.

2004 Long-Term Incentive Plan

The Compensation Committee administers the Partnership's 2004 Long-Term Incentive Plan ("2004 LTIP"). The 2004 LTIP permitted the grant of awards, which may be in the form of phantom units, restricted units, unit appreciation rights ("UAR"), or unit options. At December 31, 2015, the estimated number of common units to be issued upon vesting and exercise of outstanding rights under this plan was 187,328, based upon the closing price of our common units at December 31, 2015. A cumulative number of 626,188 common units have been issued under the plan. There were no phantom units, restricted units, UARs and unit options available for grant under the 2004 LTIP at December 31, 2015 because the plan expired in 2014.

Phantom Unit Awards

Phantom unit awards granted under the 2004 plan included tandem DERs. These DERs continue to accrue until the underlying securities are issued. The following table sets forth the 2004 LTIP phantom unit award activity for the years ended December 31, 2015, 2014 and 2013, respectively:

	Years Ended December 31,		
	2015	2014	2013
Outstanding, beginning of period	169,122	162,103	143,213
Granted (1)	15,335	23,003	18,890
Settled in common units or cash	—	(15,984)	—
Outstanding, end of period (2)	<u>184,457</u>	<u>169,122</u>	<u>162,103</u>

- (1) The weighted-average grant date fair value for the phantom unit awards on the date of grant was \$28.42, \$24.90, and \$25.29 for the years ended December 31, 2015, 2014 and 2013, respectively. The intrinsic values of phantom unit awards vested during the years ended December 31, 2015, 2014 and 2013 were \$0.9 million, \$1.0 million and \$0.8 million, respectively.
- (2) Based on the closing price of the common units on December 31, 2015, the estimated intrinsic value of the outstanding restricted phantom units was \$4.9 million.

Total compensation expense for phantom unit awards under both the 2004 and 2014 plans was approximately \$1.0 million, \$1.0 million and \$0.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Unit Appreciation Rights Awards

UAR awards represent rights to receive a right to receive common units in an amount equal to the closing price of the Partnership's common units on the date preceding the exercise date less the exercise price of the UAR award, to the extent the closing price of the Partnership's common units on the date preceding the exercise date is in excess of the exercise price. This amount is then divided by the closing pricing of the Partnership's common units on the date preceding the exercise date to determine the number of common units issued to the participant. UAR awards are subject to terms and conditions determined by the Compensation Committee, which may include vesting restrictions. UAR awards granted through December 31, 2015 have a five-year contractual term beginning on the grant date and vest ratably over a period of 48 months beginning on the grant date. Of the UAR awards outstanding at December 31, 2015, 20,313 awards will vest within the following twelve months. The following table sets forth the UAR award activity for the years ended December 31, 2015, 2014 and 2013:

	Years Ended December 31,		
	2015	2014	2013
Outstanding, beginning of period	123,000	673,716	774,598
Granted	—	15,000	52,500
Exercised	(50,477)	(554,466)	(133,110)
Forfeited	(5,730)	(11,250)	(20,272)
Outstanding, end of period (1)	<u>66,793</u>	<u>123,000</u>	<u>673,716</u>
Exercisable, end of period	33,092	57,090	594,248

(1) Based on the closing price of the common units on December 31, 2015 the estimated intrinsic value of the outstanding UARs was \$0.1 million. The weighted average remaining contractual life for outstanding UAR awards at December 31, 2015 was 2.6 years.

At December 31, 2015, the Partnership had approximately \$0.1 million of unrecognized compensation expense related to unvested UAR awards that will be recognized through the year ended December 31, 2018. The Partnership recognized total compensation expense for UAR awards of \$0.1 million, \$0.1 million and \$0.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. The Partnership issued 7,716, 152,823 and 34,096 common units due to exercised UAR awards for the years ended December 31, 2015, 2014 and 2013, respectively.

The Partnership's estimated fair value of UAR awards granted during the years ended December 31, 2014 and 2013 were calculated on the grant date using the Black-Scholes-Merton option pricing model, which is based on Level 3 inputs. There were no UAR awards granted during the year ended December 31, 2015. A summary of the weighted-average assumptions used in the valuation are presented below:

	Years Ended December 31,	
	2014	2013
Expected dividend yield	9.95%	9.14%
Risk-free interest rate	1.06%	0.63%
Expected volatility	27.13%	28.57%
Expected life (in years)	3.52	3.52
Fair value per UAR granted	\$ 1.60	\$ 2.09

The aggregate fair values of UARs granted during the years ended December 31, 2014 and 2013 were approximately \$0.1 million.

13. COMMITMENTS AND CONTINGENCIES

Legal

During the year ended December 31, 2015, the Partnership recognized a charge pertaining to a legal settlement of a Fair Labor Standards Act claim. This \$3.1 million amount is recorded under "Legal settlement" on the consolidated statement of operations and consists of the settlement amount and legal fees related to the case.

The Partnership is party to legal proceedings in the ordinary course of its business but does not expect the outcome of any proceedings, individually or in the aggregate, to have a material effect on its financial position or results of operations.

Leases

The Partnership has noncancelable operating leases for equipment and office space that expire at various dates with initial terms ranging from one to twenty-five years. Certain operating leases provide the Partnership with the option to renew for additional periods. Where operating leases contain escalation clauses, rent abatements, and/or concessions, the Partnership applies them in the determination of straight-line rent expense over the lease term. Leasehold improvements are amortized over the shorter of the lease term or asset life, which may include renewal periods where the renewal is reasonably assured, and is included in the determination of straight-line rent expense. Total rent expense for the years ended December 31, 2015, 2014 and 2013 was \$3.4 million, \$2.5 million and \$2.7 million, respectively. The aggregate amount of remaining future minimum lease payments as of December 31, 2015 is as follows (in thousands):

2016	\$ 3,356
2017	3,520
2018	3,411
2019	3,069
2020	1,784
Thereafter	10,471
Total	<u>\$25,611</u>

Employment Agreements

As of December 31, 2015, the Partnership has an employment agreement with one of its senior executives for a term of three years beginning July 22, 2013.

Other

In connection with the Partnership's lease and management agreements with the Archdiocese of Philadelphia, it has committed to certain future lease payment commitments (see Note 2).

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has established a hierarchy to measure the Partnership's financial instruments at fair value, which requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs represent market data obtained from independent sources; whereas, unobservable inputs reflect the Partnership's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. The hierarchy defines three levels of inputs that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical, unrestricted assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the same contractual term of the asset or liability.

Level 3 – Unobservable inputs that the entity's own assumptions about the assumptions market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

The Partnership's current assets and liabilities on its consolidated balance sheets are considered to be financial instruments, and their estimated fair values approximate their carrying values due to their short-term nature and thus are categorized as Level 1. The Partnership's merchandise and perpetual care trusts consist of investments in debt and equity marketable securities and cash equivalents, are carried at fair value, and are considered either Level 1 or Level 2 (see Note 6 and 7).

The Partnership's other financial instruments at December 31, 2015 and 2014 consist of its Senior Notes and outstanding borrowings under its revolving credit facility (see Note 9). The estimated fair values of the Partnership's Senior Notes at December 31, 2015 and 2014 were \$179.9 million and \$182.2 million, respectively, based on trades made on those dates, compared with the carrying amounts of \$172.2 million and \$171.8 million, respectively. At December 31 2015 and 2014, the carrying values of outstanding borrowings under the Partnership's revolving credit facility (see Note 9), which bears interest at variable interest rates with maturities of 90 days or less, approximated their estimated fair values. The Senior Notes are valued using Level 2 inputs.

15. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Partnership's Senior Notes are guaranteed by StoneMor Operating LLC and its wholly-owned subsidiaries. The guarantees are full, unconditional, joint and several. The Partnership, or the "Parent", and its wholly-owned subsidiary Cornerstone Family Services of West Virginia Subsidiary Inc., are the co-issuers of the Senior Notes. The co-issuers guarantees are full, unconditional, joint and several. The Partnership's consolidated financial statements as of and for the years ended December 31, 2015, 2014, and 2013 include the accounts of cemeteries operated under long-term lease, operating or management agreements. Under the terms of the Senior Notes these entities are non-guarantor subsidiaries as they are not wholly-owned by the Partnership. The Partnership's consolidated financial statements also contain merchandise and perpetual care trusts that are also non-guarantor subsidiaries under the agreement. The following supplemental condensed consolidating financial information reflects the Partnership's standalone accounts, the combined accounts of the subsidiary co-issuer, the combined accounts of the guarantor subsidiaries, the combined accounts of the non-guarantor subsidiaries, the consolidating adjustments and eliminations and the Partnership's consolidated accounts as of and for the years ended December 31, 2015, 2014 and 2013. For the purpose of the following financial information, the Partnership's investments in its subsidiaries and the guarantor subsidiaries' investments in its subsidiaries are presented in accordance with the equity method of accounting (in thousands):

CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2015	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets						
Current assets:						
Cash and cash equivalents	\$ —	\$ —	\$ 11,869	\$ 3,284	\$ —	\$ 15,153
Other current assets	—	4,797	75,337	12,511	—	92,645
Total current assets	—	4,797	87,206	15,795	—	107,798
Long-term accounts receivable	—	2,888	80,969	11,310	—	95,167
Cemetery property and equipment	—	1,084	414,785	31,100	—	446,969
Merchandise trusts	—	—	—	464,676	—	464,676
Perpetual care trusts	—	—	—	307,804	—	307,804
Deferred selling and obtaining costs	—	5,967	91,275	14,300	—	111,542
Goodwill and intangible assets	—	—	78,223	58,837	—	137,060
Other assets	—	—	12,913	2,196	—	15,109
Due from affiliates	68,000	121,228	430,079	—	(619,307)	—
Investment in affiliates	183,678	40,783	(1,375)	—	(223,086)	—
Total assets	<u>\$251,678</u>	<u>\$ 176,747</u>	<u>\$1,194,075</u>	<u>\$ 906,018</u>	<u>\$ (842,393)</u>	<u>\$ 1,686,125</u>
Liabilities and Equity						
Current liabilities	\$ —	\$ 12	\$ 34,969	\$ 837	\$ —	\$ 35,818
Long-term debt, net of deferred financing costs	68,000	104,200	144,199	—	—	316,399
Deferred cemetery revenues, net	—	27,528	539,878	70,130	—	637,536
Merchandise liability	—	5,599	156,838	10,660	—	173,097
Perpetual care trust corpus	—	—	—	307,804	—	307,804
Other long-term liabilities	—	—	22,299	9,494	—	31,793
Due to affiliates	—	—	173,575	445,732	(619,307)	—
Total liabilities	<u>68,000</u>	<u>137,339</u>	<u>1,071,758</u>	<u>844,657</u>	<u>(619,307)</u>	<u>1,502,447</u>
Partners' Capital	183,678	39,408	122,317	61,361	(223,086)	183,678
Total liabilities and partners' capital	<u>\$251,678</u>	<u>\$ 176,747</u>	<u>\$1,194,075</u>	<u>\$ 906,018</u>	<u>\$ (842,393)</u>	<u>\$ 1,686,125</u>

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December 31, 2014	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ —	\$ —	\$ 7,059	\$ 3,342	\$ —	\$ 10,401
Other current assets	—	4,244	76,753	10,480	—	91,477
Total current assets	—	4,244	83,812	13,822	—	101,878
Long-term accounts receivable	—	2,453	76,416	10,667	—	89,536
Cemetery property and equipment	—	1,033	408,983	30,223	—	440,239
Merchandise trusts	—	—	—	484,820	—	484,820
Perpetual care trusts	—	—	—	345,105	—	345,105
Deferred selling and obtaining costs	—	5,744	81,195	10,856	—	97,795
Goodwill and intangible assets	—	—	67,993	59,833	—	127,826
Other assets	—	—	930	2,246	—	3,176
Due from affiliates	67,700	133,569	436,421	—	(637,690)	—
Investment in affiliates	208,762	64,429	8,166	—	(281,357)	—
Total assets	<u>\$276,462</u>	<u>\$211,472</u>	<u>\$1,163,916</u>	<u>\$ 957,572</u>	<u>\$ (919,047)</u>	<u>\$ 1,690,375</u>
Liabilities and Equity						
Current liabilities	\$ —	\$ 263	\$ 37,774	\$ 815	\$ —	\$ 38,852
Long-term debt, net of deferred financing costs	67,700	104,100	104,489	—	—	276,289
Deferred cemetery revenues, net	—	28,599	551,283	63,526	—	643,408
Merchandise liability	—	5,915	134,101	10,176	—	150,192
Perpetual care trust corpus	—	—	—	345,105	—	345,105
Other long-term liabilities	—	—	19,000	8,767	—	27,767
Due to affiliates	—	—	171,800	465,890	(637,690)	—
Total liabilities	67,700	138,877	1,018,447	894,279	(637,690)	1,481,613
Partners' Capital	208,762	72,595	145,469	63,293	(281,357)	208,762
Total liabilities and partners' capital	<u>\$276,462</u>	<u>\$211,472</u>	<u>\$1,163,916</u>	<u>\$ 957,572</u>	<u>\$ (919,047)</u>	<u>\$ 1,690,375</u>

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Year Ended December 31, 2015	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ —	\$ 5,722	\$ 262,728	\$ 47,489	\$ (10,299)	\$ 305,640
Total cost and expenses	—	(10,623)	(257,099)	(46,877)	10,299	(304,300)
Other income (loss)	—	—	(1,891)	—	—	(1,891)
Net loss from equity investment in subsidiaries	(18,810)	(19,966)	—	—	38,776	—
Interest expense	(5,434)	(8,347)	(8,076)	(728)	—	(22,585)
Net income (loss) before income taxes	(24,244)	(33,214)	(4,338)	(116)	38,776	(23,136)
Income tax benefit (expense)	—	—	(1,108)	—	—	(1,108)
Net income (loss)	<u>\$(24,244)</u>	<u>\$ (33,214)</u>	<u>\$ (5,446)</u>	<u>\$ (116)</u>	<u>\$ 38,776</u>	<u>\$ (24,244)</u>

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Year Ended December 31, 2014	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ —	\$ 8,237	\$ 254,997	\$ 36,982	\$ (12,131)	\$ 288,085
Total cost and expenses	—	(11,547)	(235,113)	(39,696)	12,131	(274,225)
Other income (loss)	—	—	890	—	—	890
Net loss from equity investment in subsidiaries	(5,339)	(9,350)	—	—	14,689	—
Interest expense	(5,434)	(8,347)	(7,430)	(399)	—	(21,610)
Net income (loss) before income taxes	(10,773)	(21,007)	13,344	(3,113)	14,689	(6,860)
Income tax benefit (expense)	—	—	(3,913)	—	—	(3,913)
Net income (loss)	<u>\$ (10,773)</u>	<u>\$ (21,007)</u>	<u>\$ 9,431</u>	<u>\$ (3,113)</u>	<u>\$ 14,689</u>	<u>\$ (10,773)</u>

Year Ended December 31, 2013	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ —	\$ 5,744	\$ 226,653	\$ 29,313	\$ (15,069)	\$ 246,641
Total cost and expenses	—	(8,523)	(212,754)	(34,050)	15,069	(240,258)
Other income (loss)	—	12,261	(18,910)	—	—	(6,649)
Net loss from equity investment in subsidiaries	(13,598)	(6,794)	—	—	20,392	—
Interest expense	(5,434)	(8,347)	(7,289)	—	—	(21,070)
Net income (loss) before income taxes	(19,032)	(5,659)	(12,300)	(4,737)	20,392	(21,336)
Income tax benefit (expense)	—	—	2,304	—	—	2,304
Net income (loss)	<u>\$ (19,032)</u>	<u>\$ (5,659)</u>	<u>\$ (9,996)</u>	<u>\$ (4,737)</u>	<u>\$ 20,392</u>	<u>\$ (19,032)</u>

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Year Ended December 31, 2015	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 2,356	\$ 284	\$ 14,626	\$ 2,933	\$ (16,137)	\$ 4,062
Cash Flows From Investing Activities:						
Cash paid for acquisitions and capital expenditures	—	(284)	(30,864)	(2,991)	—	(34,139)
Net cash used in investing activities	—	(284)	(30,864)	(2,991)	—	(34,139)
Cash Flows From Financing Activities:						
Cash distributions	(77,512)	—	—	—	—	(77,512)
Payments to affiliates	—	—	(16,137)	—	16,137	—
Net borrowings and repayments of debt	—	—	37,261	—	—	37,261
Proceeds from issuance of common units	75,156	—	—	—	—	75,156
Other financing activities	—	—	(76)	—	—	(76)
Net cash provided by (used in) financing activities	(2,356)	—	21,048	—	16,137	34,829
Net increase (decrease) in cash and cash equivalents	—	—	4,810	(58)	—	4,752
Cash and cash equivalents—Beginning of period	—	—	7,059	3,342	—	10,401
Cash and cash equivalents—End of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,869</u>	<u>\$ 3,284</u>	<u>\$ —</u>	<u>\$ 15,153</u>

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Year Ended December 31, 2014	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	\$ —	\$ 150	\$ 29,918	\$ 3,161	\$ (13,781)	\$ 19,448
Cash Flows From Investing Activities:						
Cash paid for acquisitions and capital expenditures	—	(150)	(67,777)	(2,731)	—	(70,658)
Consideration for lease and management agreements	—	—	—	(53,000)	—	(53,000)
Payments to affiliates	(110,661)	—	(53,000)	—	163,661	—
Net cash used in investing activities	(110,661)	(150)	(120,777)	(55,731)	163,661	(123,658)
Cash Flows From Financing Activities:						
Cash distributions	(62,836)	—	—	—	—	(62,836)
Payments from affiliates	—	—	96,880	53,000	(149,880)	—
Net borrowings and repayments of debt	—	—	(5,275)	—	—	(5,275)
Proceeds from issuance of common units	173,497	—	—	—	—	173,497
Other financing activities	—	—	(2,950)	—	—	(2,950)
Net cash provided by (used in) financing activities	110,661	—	88,655	53,000	(149,880)	102,436
Net increase (decrease) in cash and cash equivalents	—	—	(2,204)	430	—	(1,774)
Cash and cash equivalents—Beginning of period	—	—	9,263	2,912	—	12,175
Cash and cash equivalents—End of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,059</u>	<u>\$ 3,342</u>	<u>\$ —</u>	<u>\$ 10,401</u>

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Year Ended December 31, 2013	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 13,676	\$ 73	\$ 49,544	\$ (759)	\$ (27,457)	\$ 35,077
Cash Flows From Investing Activities:						
Cash paid for acquisitions and capital expenditures	—	(73)	(26,299)	(325)	—	(26,697)
Net cash used in investing activities	—	(73)	(26,299)	(325)	—	(26,697)
Cash Flows From Financing Activities:						
Cash distributions	(52,053)	—	—	—	—	(52,053)
Payments to affiliates	—	—	(27,457)	—	27,457	—
Net borrowings and repayments of debt	—	—	29,570	—	—	29,570
Proceeds from issuance of common units	38,377	—	—	—	—	38,377
Other financing activities	—	—	(20,045)	—	—	(20,045)
Net cash provided by (used in) financing activities	(13,676)	—	(17,932)	—	27,457	(4,151)
Net increase (decrease) in cash and cash equivalents	—	—	5,313	(1,084)	—	4,229
Cash and cash equivalents - Beginning of period	—	—	3,950	3,996	—	7,946
Cash and cash equivalents - End of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,263</u>	<u>\$ 2,912</u>	<u>\$ —</u>	<u>\$ 12,175</u>

16. ISSUANCES OF LIMITED PARTNER UNITS

On November 19, 2015, the Partnership entered into an equity distribution agreement (“ATM Equity Program”) with a group of banks (the “Agents”) whereby it may sell, from time to time, common units representing limited partner interests having an aggregate offering price of up to \$100,000,000. Sales of common units, if any, may be made in negotiated transactions or transactions that are deemed to be “at-the-market” (“ATM”) offerings as defined in Rule 415 of the Securities Act, including sales made directly on the New York Stock Exchange, the existing trading market for the common units, or sales made to or through the market maker other than on an exchange or through an electronic communications network. The Partnership will pay each of the Agents a commission, which in each case shall not be more than 2.0% of the gross sales price of common units sold through such Agent. During the year ended December 31, 2015, the Partnership issued 277,667 common units under the ATM Equity Program for net proceeds of \$7.5 million.

On July 10, 2015, the Partnership issued 2,415,000 common units in a public offering at a price of \$29.63 per unit. Net proceeds from the offering, after deducting underwriting discounts and offering expenses, were approximately \$67.9 million. The proceeds were used to repay outstanding borrowings under the Partnership’s Credit Facility.

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In February 2014, the Partnership issued 2,300,000 common units in a public offering at a price of \$24.45 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately \$53.2 million. The proceeds from the offering were used to repay outstanding borrowings under the Partnership's Credit Facility.

In May 2014, the Partnership sold to American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company ("ACII"), 2,255,947 common units (the "ACII Units") at an aggregate purchase price of \$55.0 million pursuant to a Common Unit Purchase Agreement (the "Common Unit Purchase Agreement"), dated May 19, 2014, by and between ACII and the Partnership. Pursuant to the Common Unit Purchase Agreement, commencing with the quarter ending June 30 2014, the ACII Units are entitled to receive cash distributions equal to those paid on the common units generally. Through the quarter ending June 30, 2018, such distributions may be paid in cash, paid-in-kind ("PIK") common units issued to ACII in lieu of cash distributions, or a combination of cash and PIK units, as determined by the Partnership at its sole discretion. If the Partnership elects to pay cash distributions through the issuance of PIK units, the number of common units to be issued in connection with a quarterly cash distribution will be the quotient of (i) the amount of the quarterly cash distribution paid on the common units by (B) the volume-weighted average price of the common units for the thirty (30) trading days immediately preceding the date the quarterly cash distribution is declared with respect to the common units. Beginning with the quarterly cash distribution payable with respect to the quarter ending September 30, 2018, the ACII Units will receive cash distributions on the same basis as all other common units and the Partnership will no longer have the ability to elect to pay quarterly cash distributions in PIK units. The Partnership issued 204,804 and 111,740 PIK Units to ACII in lieu of cash distributions of \$5.8 million and \$2.8 million, respectively, during the years ended December 31, 2015 and 2014, respectively.

In June 2014, the Partnership issued 2,990,000 common units in a public offering at a price of \$23.67 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately \$67.1 million. The proceeds from the offering were used to pay the purchase price of certain properties acquired and repay outstanding borrowings under the Partnership's Credit Facility.

In March 2013, the Partnership issued 1,610,000 common units in a public offering at a price of \$25.35 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately \$38.4 million. The proceeds from the offering were used to repay outstanding borrowings on the Partnership's Credit Facility.

17. SEGMENT INFORMATION

The Partnership's operations include two reportable operating segments, Cemetery Operations and Funeral Homes. These operating segments reflect the way the Partnership manages its operations and makes business decisions as of December 31, 2015 and represent a change from prior periods. Prior periods were revised to the current year presentation. Operating segment data for the periods indicated were as follows (in thousands):

	Years Ended December 31		
	2015	2014	2013
Cemetery Operations:			
Revenues	\$ 247,870	\$ 239,399	\$ 201,686
Operating costs and expenses	(205,475)	(188,711)	(165,130)
Depreciation and amortization	(7,766)	(6,904)	(5,336)
Segment income	<u>\$ 34,629</u>	<u>\$ 43,784</u>	<u>\$ 31,220</u>
Funeral Homes:			
Revenues	\$ 57,770	\$ 48,686	\$ 44,955
Operating costs and expenses	(47,413)	(39,710)	(35,654)
Depreciation and amortization	(3,257)	(3,200)	(3,036)
Segment income	<u>\$ 7,100</u>	<u>\$ 5,776</u>	<u>\$ 6,265</u>
Reconciliation of segment income to net loss:			
Cemeteries	\$ 34,629	\$ 43,784	\$ 31,220
Funeral homes	7,100	5,776	6,265
Total segment income	<u>41,729</u>	<u>49,560</u>	<u>37,485</u>
Corporate overhead	(38,609)	(34,723)	(29,926)
Corporate depreciation and amortization	(1,780)	(977)	(1,176)
Other net gains (losses)	(1,891)	890	(6,649)
Interest expense	(22,585)	(21,610)	(21,070)
Income tax benefit (expense)	(1,108)	(3,913)	2,304
Net loss	<u>\$ (24,244)</u>	<u>\$ (10,773)</u>	<u>\$ (19,032)</u>
Capital expenditures:			
Cemeteries	\$ 11,853	\$ 13,368	\$ 10,111
Funeral homes	580	545	1,250
Corporate	2,906	661	1,391
Total capital expenditures	<u>\$ 15,339</u>	<u>\$ 14,574</u>	<u>\$ 12,752</u>
Balance sheet information:			
Total assets—Cemetery Operations	\$ 1,473,694	\$ 1,507,994	\$ 1,310,290
Total assets—Funeral Homes	190,443	164,925	135,232
Total assets—Corporate	21,988	17,456	20,513
Total assets	<u>\$ 1,686,125</u>	<u>\$ 1,690,375</u>	<u>\$ 1,466,035</u>
Goodwill—Cemetery Operations	\$ 25,320	\$ 24,186	\$ 18,122
Goodwill—Funeral Homes	44,531	34,650	30,615
Total goodwill	<u>\$ 69,851</u>	<u>\$ 58,836</u>	<u>\$ 48,737</u>

18. SUBSEQUENT EVENTS

On January 26, 2016, the Partnership announced a quarterly cash distribution of \$0.66 per common unit pertaining to the results for the fourth quarter of 2015. The distribution was paid on February 12, 2016 to common unit holders of record as of the close of business on February 5, 2016.

Subsequent to December 31, 2015, the Partnership issued 474,657 common units under the ATM Equity Program for net proceeds of approximately \$12.4 million. No issuances occurred during February 2016.

19. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following summarizes certain quarterly results of operations:

Year Ended December 31, 2015	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except unit data)			
Revenues	\$ 67,417	\$ 80,825	\$ 78,200	\$ 79,198
Net loss	(8,883)	(4,848)	(3,402)	(7,111)
General partner's interest in net loss for the period	(120)	(65)	(42)	(88)
Limited partners' interest in net loss for the period	(8,763)	(4,783)	(3,360)	(7,023)
Net loss per limited partner unit (basic and diluted):	\$ (0.30)	\$ (0.16)	\$ (0.11)	\$ (0.22)

Year Ended December 31, 2014	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except unit data)			
Revenues	\$ 64,387	\$ 71,533	\$ 78,174	\$ 73,991
Net income (loss)	409	(118)	(3,268)	(7,796)
General partner's interest in net income (loss) for the period	4	(9)	(44)	(106)
Limited partners' interest in net income (loss) for the period	405	(109)	(3,224)	(7,690)
Net income (loss) per limited partner unit (basic and diluted):	\$ 0.02	\$ —	\$ (0.11)	\$ (0.26)

Net income (loss) per limited partner unit is computed independently for each quarter and the full year based upon respective average units outstanding. Therefore, the sum of the quarterly per share amounts may not equal to the annual per share amounts.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE.

ITEM 9A. CONTROLS AND PROCEDURES

CONCLUSION REGARDING THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (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.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Disclosure Committee and management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon, and as of the date of this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in our reports 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.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that we maintained effective internal control over financial reporting as of December 31, 2015.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which appears herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of StoneMor GP LLC and Unitholders of StoneMor Partners L.P.

We have audited the internal control over financial reporting of StoneMor Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2015 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Partnership’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Partnership and our report dated February 29, 2016 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
February 29, 2016

ITEM 9B. OTHER INFORMATION

NONE.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

PARTNERSHIP STRUCTURE AND MANAGEMENT

StoneMor GP, as our general partner, manages our operations and activities. Unitholders are not entitled to participate, directly or indirectly, in our management or operations.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business. Unitholders do not have the right to elect our general partner or its directors on an annual or other continuing basis. Our general partner may not be removed except by the vote of the holders of at least 66 2/3% of the outstanding common units, including units owned by our general partner and its affiliates. As a result of the Reorganization streamlining the ownership structure of CFSI and StoneMor GP in May 2014, Mr. Hellman, as the sole Trustee (the “Trustee”) under a Trust (the “Trust”) established pursuant to a Voting and Investment Trust Agreement by and between American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company (“ACII”), and Mr. Hellman, as Trustee, dated as of May 9, 2014, for the pecuniary benefit of ACII, has exclusive voting and investment power over approximately 67.03% of membership interests in StoneMor GP Holdings LLC, a Delaware limited liability company (“GP Holdings”) and the sole member of StoneMor GP. ACII is an affiliate of American Infrastructure Funds, L.L.C., an investment adviser registered with SEC. Mr. Hellman, a director of our general partner, is a managing member of American Infrastructure Funds, L.L.C. and he is affiliated with (i) entities that own membership interests in ACII and (ii) AIM Universal Holdings, LLC that is the manager of ACII. Mr. Contos, a director of our general partner, is a Principal of American Infrastructure Funds, L.L.C.

Pursuant to the Second Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated May 21, 2014, as amended (the “Second Amended and Restated LLC Agreement”), GP Holdings, as the sole member of StoneMor GP, is entitled to elect all directors of StoneMor GP, except that Messrs. Miller and Shane acting collectively have the right to designate one director (a “Founder Director”). The Founder Director is Lawrence R. Miller so long as he serves as the Chief Executive Officer of StoneMor GP or desires to serve as a director of StoneMor GP and thereafter will be William R. Shane.

DIRECTORS AND EXECUTIVE OFFICERS OF STONEMOR GP LLC

The following table shows information regarding the directors and executive officers of our general partner. Each director is elected for one-year terms until his successor is duly elected and qualified or until his earlier resignation or removal.

<u>Name</u>	<u>Age</u>	<u>Positions with StoneMor GP LLC</u>
Lawrence Miller	67	Chief Executive Officer, President and Chairman of the Board of Directors
Sean P. McGrath (1)	44	Chief Financial Officer and Secretary
David L. Meyers	48	Chief Operating Officer
William R. Shane	68	Vice Chairman of the Board of Directors
Howard L. Carver	71	Director
Jonathan A. Contos	31	Director
Allen R. Freedman	75	Director
Robert B. Hellman, Jr.	56	Director
Martin R. Lautman, Ph.D.	69	Director
Leo J. Pound	60	Director
Fenton R. Talbott	74	Director

(1) Effective September 28, 2015, Sean P. McGrath was appointed Chief Financial Officer and Secretary of StoneMor GP.

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Effective May 13, 2015, Timothy K. Yost resigned from his position as the Chief Financial Officer and Secretary of StoneMor GP. In connection with Mr. Yost's resignation, James M. Pippis was appointed as Interim Chief Financial Officer and Secretary of StoneMor GP and served in such capacity until Mr. McGrath's appointment as Chief Financial Officer and Secretary of StoneMor GP.

EXECUTIVE OFFICER AND BOARD MEMBER

Lawrence Miller serves as both an executive officer and a member of the Board of Directors of our general partner.

Lawrence Miller founded our company and has served as Chief Executive Officer, President and Chairman of the Board of Directors of our general partner since our formation in April 2004 and had served as the Chief Executive Officer and President of Cornerstone, since March 1999 through April 2004. Prior to joining Cornerstone, Mr. Miller was employed by The Loewen Group, Inc. (now known as the Alderwoods Group, Inc.), where he served in various management positions, including Executive Vice President of Operations from January 1997 until June 1998, and President of the Cemetery Division from March of 1995 until December 1996. Prior to joining The Loewen Group, Mr. Miller served as President and Chief Executive Officer of Osiris Holding Corporation, a private consolidator of cemeteries and funeral homes of which Mr. Miller was a one-third owner, from November 1987 until March 1995, when Osiris was sold to The Loewen Group. Mr. Miller served as President and Chief Operating Officer of Morlan International, Inc., one of the first publicly traded cemetery and funeral home consolidators from 1982 until 1987, when Morlan was sold to Service Corporation International. Mr. Miller has also been a director of GP Holdings, the sole member of our general partner, since May 2014. Mr. Miller brings to the Board of Directors of our general partner extensive operating and managerial expertise in the death care industry, excellent leadership skills and significant experience in advancing growth strategies, including acquisitions and strategic alliances.

ADDITIONAL DIRECTORS

A brief biography of all non-executive directors of our general partner is included below:

William R. Shane has served on the Board of Directors of our general partner since our formation in April 2004. Mr. Shane founded our company with Mr. Miller and served as Executive Vice President and Chief Financial Officer of our general partner since our formation in April 2004 until April 1, 2012, and served as Executive Vice President and Chief Financial Officer of Cornerstone since March 1999 through April 2004. Effective April 1, 2012, Mr. Shane retired from his position as our Executive Vice President and Chief Financial Officer and became the Vice Chairman of the Board of Directors and serves as an advisor available to management. Prior to joining Cornerstone, Mr. Shane was employed by The Loewen Group, Inc., where he served as Senior Vice President of Finance for the Cemetery Division from March 1995 until January 1998. Prior to joining The Loewen Group, Mr. Shane served as Senior Vice President of Finance and Chief Financial Officer of Osiris Holding Corporation, which he founded with Mr. Miller, and of which he was a one-third owner. Prior to founding Osiris, Mr. Shane served as the Chief Financial Officer of Morlan International, Inc. Mr. Shane brings to the Board of Directors of our general partner extensive experience in financial services and capital raising activities, and his strong background in acquisitions and strategic alliances.

Howard L. Carver has served on the Board of Directors of our general partner since August 2005. Mr. Carver retired in June 2002 from Ernst & Young. During his 35-year career with the firm, Mr. Carver held a variety of positions in six U.S. offices, culminating with the position of managing partner responsible for the operation of the Hartford, Connecticut office. Since June 2002, Mr. Carver has served on the boards of directors of Assurant, Inc. (formerly Fortis, Inc.) and Phoenix National Trust Company (until its sale in April 2004) and was the chair of the Audit Committee for both boards. He currently serves as the Chair of Assurant's Nominating and Corporate Governance Committee and is a member of its Audit Committee. Effective January 2012, Mr. Carver was appointed to the Audit Committee of Pinnacol Assurance, the workers compensation facility for the State of Colorado, and in January 2013 he was appointed to Pinnacol's board by the Governor of Colorado and

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currently serves as Chair of the Board and Chair of Pinnacol's Governance & Executive Committee. Mr. Carver brings to the Board of Directors of our general partner extensive financial, accounting and audit practices expertise, a keen understanding of financial controls and systems, and a significant risk management background.

Jonathan A. Contos has served on the Board of Directors of our general partner since August 2014. Mr. Contos has held a variety of positions at private equity and investment banking firms. Since December 2015, Mr. Contos has been a Principal of American Infrastructure Funds, L.L.C., an investment adviser registered with the SEC, where he was previously a Vice President from December 2013 to December 2015 and a Senior Associate from September 2012 to December 2013. From August 2008 to June 2010, he was an Associate in the North American Buyouts Group at TPG Capital, a private investment firm, and from 2006 to 2008, he was an Investment Banking Analyst in the Corporate Finance Group at Morgan Stanley. Mr. Contos has served as a member of the Board of Managers of Safe Harbor Marinas, LLC, a leading owner and operator of recreational boat marinas, since September 2015. Mr. Contos served as a member of the Audit Committee of the Board of Managers of Landmark Dividend Holdings LLC, a national acquirer of real property interests underlying various infrastructure asset classes, from December 2012 to January 2016. He also served on the Board of Directors of Landmark Infrastructure Partners GP LLC, an indirect subsidiary of Landmark Dividend Holdings LLC and the general partner of Landmark Infrastructure Partners LP, a publicly traded master limited partnership, from November 2014 to January 2016. He has also been a director of GP Holdings, the sole member of our general partner, since May 2014. Mr. Contos received an A.B. in Economics from Harvard College and an M.B.A. from the Stanford Graduate School of Business. Mr. Contos brings to the Board of Directors of our general partner experience with various financial and investment matters.

Allen R. Freedman has served on the Board of Directors of our general partner since our formation in April 2004, and had served as a director of Cornerstone since October 2000 through April 2004. Mr. Freedman is a graduate of Tufts University and the University of Virginia School of Law. Mr. Freedman retired in July 2000 from his position as Chairman and Chief Executive Officer of Fortis, Inc., a specialty insurance company that he started in 1979. He continued to serve on the board of Assurant, Inc. (successor to Fortis, Inc.) until May of 2011. He was previously Chairman of the Board of Systems & Computer Technology Corporation until 2004 and Indus, Inc. until 2007. He retired as a trustee of the Eaton Vance Mutual Funds Group in 2014, where he served on the Governance and Portfolio Management Committees. Mr. Freedman has served on the board of a number of charitable organizations including the Philadelphia Orchestra and the United Way of New York. He currently serves on the board of Opera America, the service organization for over 100 opera companies in the United States, Canada and Europe. He is also a founding director of the Association of Audit Committee Members, Inc. Mr. Freedman brings to the Board of Directors of our general partner extensive financial and operational experience, knowledge of audit practices, and investment and risk management expertise, as well as leadership skills and strategic advice.

Robert B. Hellman Jr. has served on the Board of Directors of our general partner since our formation in April 2004. Mr. Hellman co-founded American Infrastructure MLP Funds ("AIM") in 2006 and has been a private equity and real assets investor for over 25 years. He was responsible for inventing the pioneering idea of applying the MLP structure to the deathcare industry, which led to the 2004 IPO of StoneMor Partners as an MLP, and led to the creation of AIM's investment strategy. He has been an investor and director in a wide variety of industries, including agriculture, building materials, forest products, energy production and distribution, deathcare, entertainment, health and fitness, and real estate. On behalf of AIM, he currently holds three patents on the application of the design of innovative financial security structures. Bob began his private equity career at McCown DeLeeuw in 1987, after having gained substantial experience in mergers, acquisitions, and business strategy through his work as a consultant with Bain & Company, where he was one of the founding members of Bain's Tokyo Office. Bob serves on the board of number of public and private companies. He is also a member of the Board of the Stanford Institute for Economic Policy Research (SIEPR) and President of Stanford's DAPER Investment Fund. He received an MBA from the Harvard Business School with Baker Scholar honors, an MS in economics from the London School of Economics, and a BA in economics from Stanford University. Mr. Hellman brings to the Board of Directors of our general partner extensive investment management and capital raising experience, combined with excellent leadership and strategic skills.

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Martin R. Lautman, Ph.D., has served on the Board of Directors of our general partner since our formation in April 2004 and as a director of Cornerstone since its formation in March 1999 through April 2004. Dr. Lautman is currently the Managing Director of Marketing Channels, Inc., a company that provides marketing and marketing research consulting services to the information industry and a partner in Musketeer Capital, an investor in early stage and small companies. Most recently, he served as the President and CEO of GfK Custom Research North America, a division of a public worldwide marketing services company headquartered in Nuremberg, Germany. Prior to that, he was the Senior Managing Director of ARBOR a U.S.-based marketing research agency, where he held several positions including Senior Managing Director since 1974. He has also served with Numex Corporation, a public machine-tool manufacturing company, as President from 1987 to 1990 and as a director from 1991 to 1997. From 1986 to 2000, Dr. Lautman served on the Board of Advisors of Bachow Inc., a private equity firm specializing in high-tech companies and software and is now active in venture capital serving as a venture partner in three early stage funds. Dr. Lautman is currently a board member for E.P. Henry, a hardscaping company, Phoenix International, a marketing research company, Require, a title release tracking company and Surface Preparation Technologies, a road rumble strip and grooving company. He is also the former Chairman of the Board of Penn Hillel. Dr. Lautman has lectured on marketing in The Cornell Hotel School and The Columbia University School of Business and currently lectures on marketing strategy, new products and advertising in the MBA program in The Wharton School of Business of the University of Pennsylvania. He is currently also teaching marketing management and marketing strategy in The Smeal School of Business of The Pennsylvania State University. Dr. Lautman brings to the Board of Directors of our general partner strategic planning and capital raising expertise, and experience with compensation matters.

Leo J. Pound has served on the Board of Directors of our general partner since August 2014. Mr. Pound has been a Principal of Pound Consulting Inc., which provides management-consulting services to both public and private enterprises, since July 2000. From February 1999 to July 2000, Mr. Pound was Chief Financial Officer of Marble Crafters, a stone importer and fabricator. From October 1995 to February 1999, he was Chief Financial Officer of Jos. H. Stomel & Sons, a wholesale distributor. Since 2013, Mr. Pound has served as the Chairman of the Audit Committee of Alliance Holdings, a private equity firm. From 2012 through December 2015, Mr. Pound had been a director at Turner Long/Short Equity Offshore, an investment partnership managed by Turner Investments, Inc. He also serves as the Chairman of the Audit Committee and as a member of the Compensation Committee and Nominating Committee of Nixon Uniform Service & Medical Wear, a textile rental company. In December 2015, Mr. Pound joined the Board of Directors of Empire Petroleum Partners, a private wholesale fuel distributor. Mr. Pound previously served on the Board of Directors of NCO Group, Inc., an international provider of business process outsourcing services, from 2000 until 2011. Mr. Pound chaired the Audit Committee and was a member of the Nominating and Corporate Governance Committee of the Board of Directors of NCO Group, Inc. Mr. Pound is a Certified Public Accountant and a member of the American and Pennsylvania Institutes of Certified Public Accountants. Mr. Pound received a degree in Business Administration from LaSalle University where he majored in Accounting. Mr. Pound brings to the Board of Directors of our general partner broad knowledge of audit practices and financial controls and systems and financial leadership experience.

Fenton R. "Pete" Talbott has served on the Board of Directors of our general partner since our formation in April 2004 and had served as Chairman of the Board of Cornerstone since April 2000 through April 2004. Mr. Talbott served as the President of Talbott Advisors, Inc., a consulting firm, from January 2006 through January 2010. Mr. Talbott previously served as an operating affiliate of McCown De Leeuw & Co., LLC from November 1999 to December 2004 and currently serves as an operating affiliate of American Infrastructure Funds, L.L.C. Additionally, he served as the Chairman of the Board of Telespectrum International, an international telemarketing and market-research company, from August 2000 to January 2001. Prior to 1999, Mr. Talbott held various executive positions with Comerica Bank, American Express Corporation, Bank of America, The First Boston Corp., CitiCorp., and other entities. He currently serves as a board member of the Preventative Medicine Research Institute, Kansas University Board of Trustees, and Landmark Dividend, LLC. Mr. Talbott brings to the Board of Directors of our general partner extensive operational and consulting expertise, experience with compensation matters and his significant professional contact base.

EXECUTIVE OFFICERS (NON-BOARD MEMBERS)

A brief biography of additional executive officers is included below:

Sean P. McGrath has served as Chief Financial Officer of our general partner since September 28, 2015. Prior to joining our general partner, Mr. McGrath was the Chief Financial Officer of Atlas Energy Group, LLC, a NYSE listed general partner of Atlas Resource Partners, L.P., a NYSE listed exploration and production master limited partnership, from February 2015 until August 2015. Mr. McGrath served as Chief Financial Officer, from February 2011 until February 2015, and as Chief Accounting Officer, from May 2005 until February 2011, of the general partner of Atlas Energy, L.P., a predecessor to Atlas Energy Group, LLC. Mr. McGrath served as Chief Accounting Officer of the general partner of Sunoco Logistics Partners L.P., a NYSE listed master limited partnership that owns and operates a crude oil and refined products logistics business, from June 2002 until May 2005. Mr. McGrath is a Certified Public Accountant.

David L. Meyers served as Interim Chief Operating Officer of our general partner from October 2013 through December 2013, as part of a planned management succession program, and has since served as the Chief Operating Officer of our general partner. Mr. Meyers held a variety of positions with increasing responsibilities at Terminix International for more than 22 years, where he was most recently Division Vice President from July 2005 until November 2012. In his capacity as Division Vice President at Terminix International, Mr. Meyers managed the operations of multiple branch locations and regional management teams in the southeastern part of the United States. His responsibilities included developing the division's organizational structure, designing process improvements and leveraging technology to monitor operational results, increase productivity and drive competitive strengths. Terminix International is a subsidiary of The ServiceMaster Company, a global company, with services including, among others, termite and pest control.

REORGANIZATION

On May 21, 2014, CFS, and its direct and indirect subsidiaries: CFSI, and StoneMor GP, our general partner, completed a series of transactions to streamline the ownership structure of CFSI and StoneMor GP, which we refer to as the "Reorganization." As a result of such transactions, (i) Mr. Hellman, as Trustee of the Trust, for the pecuniary benefit of ACII, has exclusive voting and investment power over approximately 67.03% of membership interests in GP Holdings, formerly known as CFSI, (ii) Lawrence Miller, the President and Chief Executive Officer and a director of StoneMor GP, William Shane, Allen Freedman, and Martin Lautman, directors of StoneMor GP, Michael Stache and Robert Stache, retired executive officers of StoneMor GP, and two family partnerships affiliated with Messrs. Miller and Shane, as applicable, collectively hold approximately 32.97% of membership interests in GP Holdings; and (iii) StoneMor GP has become a wholly-owned subsidiary of GP Holdings.

Prior to the Reorganization, (i) CFSI owned 100% of Class A membership interests, and Messrs. Miller, Shane, M. Stache and B. Stache, owned 100% of Class B membership interests in StoneMor GP, and (ii) Mr. Hellman, as the sole member of Gen4 Trust Advisor LLC, a Delaware limited liability company, along with MDC IV Trust U/T/A November 30, 2010, MDC IV Associates Trust U/T/A November 30, 2010, and Delta Trust U/T/A November 30, 2010 (collectively, the "MDC IV Liquidating Trusts," of which Gen4 Trust Advisor LLC acts as trust advisor), directly and indirectly shared beneficial ownership of 90.8% of membership interests in CFS, 10.1% of membership interests in CFSI and, indirectly through CFS, 85% of membership interests in CFSI. In addition, (i) Messrs. Miller's and Shane's family partnerships and Mr. Lautman owned membership interests in CFS, and (ii) Messrs. Miller and Shane, their respective family partnerships and Messrs. Lautman, Freedman, Michael Stache and Robert Stache owned membership interests in CFSI. After the reorganization, as described above, Messrs. Hellman (in his capacity as Trustee), Miller and Shane (and their respective family partnerships), Freedman, Lautman, Michael Stache and Robert Stache continue to beneficially own interests in StoneMor GP.

BOARD MEETINGS AND EXECUTIVE SESSIONS, COMMUNICATIONS WITH DIRECTORS AND BOARD COMMITTEES

In 2015, the Board of Directors of our general partner held four meetings. All directors then in office attended all of these meetings, either in person or by teleconference.

Our Board of Directors holds regular executive sessions, in which non-management board members meet without any members of management present. Mr. Hellman, our Lead Director, presides at regular sessions of the non-management members of our Board of Directors.

Interested parties, including unitholders, may contact one or more members of our Board of Directors, including non-management directors individually or as a group, by writing to the director or directors in care of the Secretary of our general partner at our principal executive offices. A communication received from an interested party or unitholder will be promptly forwarded to the director or directors to whom the communication is addressed. We will not, however, forward sales or marketing materials or correspondence primarily commercial in nature, materials that are abusive, threatening or otherwise inappropriate, or correspondence not clearly identified as interested party or unitholder correspondence.

We have an Audit Committee, a Conflicts Committee, a Trust Committee, and a Compensation, Nominating and Governance, and Compliance Committee of the Board of Directors of our general partner. The Board of Directors of our general partner appoints the members of such committees. The members of the committees and a brief description of the functions performed by each committee are set forth below.

Audit Committee

The current members of the Audit Committee are Messrs. Freedman (Chairman), Carver and Pound. The primary responsibilities of the Audit Committee are to assist the Board of Directors of our general partner in its general oversight of our financial reporting, internal controls and audit functions, and it is directly responsible for the appointment, retention, compensation and oversight of the work of our independent auditors. The Audit Committee's charter is posted on our website at www.stonemor.com under the "Investors" section. Information on our website does not constitute a part of this Annual Report on Form 10-K.

All current committee members qualify as "independent" under applicable standards established by the SEC and NYSE for members of audit committees. In addition, the current members of the Audit Committee have been determined by the Board of Directors of our general partner to have accounting or related financial management expertise and to meet the qualifications of "audit committee financial experts" in accordance with NYSE listing standards and SEC rules, as applicable. The "audit committee financial expert" designation is a disclosure requirement of the SEC related to Messrs. Freedman, Carver and Pound's experience and understanding with respect to certain accounting, and auditing matters. The designation does not impose any duties, obligations or liabilities that are greater than those generally imposed on them as members of the Audit Committee and the Board of Directors of our general partner and it does not affect the duties, obligations or liabilities of any other member of the Board of Directors.

Conflicts Committee

The members of the Conflicts Committee are Messrs. Freedman (Chairman) and Carver. The primary responsibility of the Conflicts Committee is to review matters that the directors believe may involve potential conflicts of interest. The Conflicts Committee meets on an as-needed basis and determines if a proposed resolution of the conflict of interest is fair and reasonable to us. The members of the Conflicts Committee may not be officers or employees of our general partner or directors, officers, or employees of its affiliates and must meet the independence standards to serve on an audit committee of a board of directors established by the NYSE and certain other requirements. Any matters approved by the Conflicts Committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties it may owe us or our unitholders.

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Conflicts of interest may arise between us and our unitholders, on the one hand, and our general partner and its affiliates, on the other hand.

Compensation, Nominating and Governance, and Compliance Committee

The members of the Compensation, Nominating and Governance, and Compliance Committee (the “Compensation Committee”) are Messrs. Talbott (Chairman), Hellman, and Lautman. The primary responsibilities of the Compensation Committee are to oversee compensation decisions for the non-management directors of our general partner and executive officers of our general partner (in the event they are to be paid by our general partner), as well as our long-term incentive plan, to select and recommend nominees for election to the Board of Directors of our general partner, and to oversee matters of non-financial compliance, including our overall compliance with applicable legal and regulatory requirements.

Trust Committee

The members of the Trust Committee are Messrs. Hellman (Chairman), Talbott, Freedman, Shane and Carver. The primary responsibilities of the Trust Committee are to assist the Board in fulfilling its responsibility in the oversight management of merchandise trusts and perpetual care trusts (merchandise trusts together with perpetual care trusts, the “Trusts”) and to review and recommend an investment policy for the Trusts, including (i) asset allocation; (ii) acceptable risk levels; (iii) total return or income objectives; and (iv) investment guidelines relating to eligible investments, diversification and concentration restrictions, and performance objectives for specific managers or other investments.

CODE OF ETHICAL CONDUCT FOR FINANCIAL MANAGERS, CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS, THE CODE OF ETHICS POLICY, AND THE CORPORATE GOVERNANCE GUIDELINES

We adopted a Code of Ethical Conduct applicable to all of our financial managers, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Ethical Conduct for Financial Managers incorporates guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. If any amendments are made to the Code of Ethical Conduct for Financial Managers or if we or our general partner grants any waiver, including any implicit waiver, from a provision of the code to any of its financial managers, we will disclose the nature of such amendment or waiver on our website (www.stonemor.com) or in a report on Form 8-K. We also adopted the Code of Business Conduct and Ethics for Directors, the Code of Ethics Policy applicable to our officers and other employees, and the Corporate Governance Guidelines, which constitute the framework for our corporate governance.

The Code of Ethical Conduct for Financial Managers, the Code of Business Conduct and Ethics for Directors, the Code of Ethics Policy, and the Corporate Governance Guidelines are publicly available on our website under the “Investors” section at www.stonemor.com. Information on our website does not constitute a part of this Annual Report on Form 10-K.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Our general partner’s directors, officers and beneficial owners of more than 10% of common units, if any, are required to file reports of ownership and reports of changes in ownership with the SEC. Directors, officers and beneficial owners of more than 10% of our common units are also required to furnish us with copies of all such reports that are filed. Based on our review of copies of such forms and amendments, we believe that all of the directors and executive officers of our general partner complied with all filing requirements under Section 16(a) of the Exchange Act during the year ended December 31, 2015, except for one Form 4 relating to one transaction for Mr. Talbott, and one Form 4 relating to one transaction for Mr. Pound, which, through inadvertence, were not timely filed.

ITEM 11. EXECUTIVE COMPENSATION
COMPENSATION DISCUSSION AND ANALYSIS

The following is a brief overview of the more detailed discussion and analysis set forth in this section, which focuses on compensation paid to our named executive officers in 2015. Whenever we refer in this Annual Report on Form 10-K to the “named executive officers,” we are referring to those executive officers that we identified in the Summary Compensation Table below.

Our Compensation Process

Our business is managed by the officers and other employees of our general partner. We have no employees of our own. Accordingly, all decisions relating to compensation of the executive officers of our general partner are made by the Board of Directors of our general partner, which we refer to as the “board.” The Compensation, Nominating and Governance, and Compliance Committee of the board, which we refer to as the “compensation committee,” makes recommendations to the board regarding executive compensation, determines the compensation of executive officers and oversees all executive officer compensation programs, plans and policies, including those involving the issuance of equity securities.

Our general partner does not receive any management fee or other compensation for managing our business, but it is reimbursed by us for all expenses incurred on our behalf. These expenses include all expenses necessary or appropriate to the conduct of our business and allocable to us. The partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us. All items of cash compensation reflected in the tables below were incurred on our behalf by our general partner and reimbursed by us.

Objectives and Overview of Our Compensation Programs

Our compensation programs are designed by the board and compensation committee to attract, motivate and retain high quality executive officers, who will advance our overall business strategies and goals to create and return value to our unitholders. Our business goals are to increase our revenues, profits and cash distributions from existing operations, facilitate our growth through acquisitions, promote a cohesive team effort and provide a workplace environment that fosters compliance with the laws and regulations applicable to our business. We believe that an effective executive compensation program should maximize the value of our unitholders’ investment by aligning the interests of our executive officers with the interests of our unitholders. We also believe that such program should provide competitive total compensation at a reasonable cost.

Our compensation programs include short-term elements, such as annual base salaries and cash bonuses, as well as longer-term elements such as equity-based awards. Some of our executive officers may also receive health, disability and life insurance benefits and automobile allowances, and are entitled to defer a portion of their compensation pursuant to our 401(k) retirement plan. We do not match any contributions under that plan. We have no formula for allocating between long or short-term compensation, cash or non-cash compensation, or among different forms of non-cash compensation, all of which allocations are determined at the discretion of the compensation committee.

Role of the Board, the Compensation Committee and Management

The board appointed the compensation committee to assist the board in discharging its responsibilities relating to compensation matters, including compensation of directors and executive officers of our general partner. The compensation committee is responsible for reviewing, evaluating and approving agreements, plans, policies and programs utilized to compensate the officers, directors and employees of our general partner.

In 2015, except as described below, the compensation committee has determined the compensation of our executive officers without the input of any compensation consultants. Compensation decisions for individual executive officers are the result of the subjective analysis of a number of factors, including the executive officer’s

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experience, skills and tenure with us as well as the input (except in case of the CEO’s compensation) of our Chief Executive Officer. In making individual compensation decisions, the compensation committee relies on the judgment and experience of its members as well as information that is reasonably available to committee members, including, but not limited to, comparable company data.

The compensation committee considers the amount of each executive officer’s current compensation as a base against which it determines as to whether increases are appropriate in order to provide continuing performance incentives. In addition, the compensation committee evaluates the compensation that would be appropriate to attract and retain executive officers in light of the competition. The compensation committee considers the impact of accounting and tax treatments to us and the recipients in determining executive officers’ compensation.

Letter Agreement with the Chief Financial Officer

In 2015, our general partner entered into a letter agreement with Mr. McGrath in connection with his appointment as Chief Financial Officer of our general partner. The terms of the letter agreement were determined by negotiation between management, subject to the compensation committee’s approval, and Mr. McGrath and reflect the compensation committee’s belief, at the time such letter agreement was entered into, that the amounts of payments and benefits provided by the letter agreement and the circumstances under which they would be paid or provided were reasonable. See “Agreements with Named Executive Officers” for information regarding the terms of this letter agreement.

Elements of Our Executive Compensation Program

The following table sets forth the primary elements of our executive compensation program and the objective each element is designed to achieve.

Element	Characteristics	Purpose
Base Salary	Fixed annual cash compensation. Executive officers are eligible for periodic increases based on performance and such other factors as the compensation committee may determine.	Helps attract and retain executives with skills and experience necessary to execute our business strategy.
Bonuses	Annual cash incentives earned based on performance and such other factors as the compensation committee may determine.	Rewards executives for successful management of the business and achieving performance objectives.
Long-Term Equity Incentive Awards	Equity based grants motivating executives to consider our long-term objectives.	Aligns executive officers’ performance with unitholders’ interests and rewards executives for increasing unitholder value over the long-term.
Health, Welfare and Retirement Benefits	Health and disability insurance benefits are available to our executive officers and all other regular full-time employees. Executive officers as well as other full-time employees can defer a portion of their compensation pursuant to our 401(k) retirement plan.	Provides benefits to our executive officers and other employees to meet their health, wellness and retirement needs.
Perquisites	Represent an immaterial element of our executive compensation program.	Encourage long-term retention of executives.

Base Salary

Base salary is the guaranteed element of our executive officers' compensation. The base salaries of Mr. Miller, the Chief Executive Officer of our general partner, Mr. McGrath, the Chief Financial Officer of our general partner, Mr. Pippis, the Chief Accounting Officer and Mr. Meyers, the Chief Operating Officer of our general partner, described below reflect the subjective assessment of the compensation committee and the board, taking into consideration the experience of the executive, the competitive market for similarly skilled executives, the complexity of the executive's job, our financial capabilities and business goals. The base salaries of Messrs. Miller, McGrath, Pippis and Meyers were \$528,000, \$350,000, \$170,000 and \$325,000 respectively for the year ended December 31, 2015. Mr. Pippis earned incremental salary for his time as Interim Chief Financial Officer as reflected in the Summary Compensation table below.

Bonuses

Bonuses are designed to motivate our executives to achieve our short-term earnings growth and provide awards for successful management of the business. Bonuses and the identity of the recipients are determined at the discretion of the compensation committee, after considering the recommendations of our Chief Executive Officer related to other executive officers and employees. The Compensation Committee considers the following factors in determining the amount of discretionary bonus payable to an executive officer: our overall performance in light of economic conditions experienced during the fiscal year, the executive's contribution to our annual and long-term strategic objectives, and the quality of the executive's work.

In accordance with his employment offer letter agreement, described above, for Mr. McGrath's service during the 2015 calendar year, he was awarded an annual incentive bonus of \$175,000 that will be paid during the Partnership's normal bonus award cycle in the first quarter of 2016.

Long-Term Equity Incentive Plan Awards

Awards under our long-term incentive plans are designed to motivate our executives to remain employed by us for a sufficient period to achieve our longer-term business goals and increase unit-holder value. Unless otherwise specified in the award agreements or determined by the compensation committee, unvested awards under the long-term incentive plans are forfeited upon an executive's termination of employment. Pursuant to certain key employee restricted phantom unit agreements and unit appreciation rights agreements with our executives, unvested awards under our long-term incentive plans are forfeited if employment terminates for any reason other than a change of control, death, permanent disability or retirement. The grant of awards under our long-term incentive plans is made at the discretion of the board of directors or the compensation committee, as applicable, after considering recommendations of our Chief Executive Officer related to other executive officers and employees.

In 2015, 6,609 phantom units were credited to Mr. Miller's mandatory deferred compensation account, pursuant to his distribution equivalent rights, referred to as "DERs," under his executive restricted phantom unit agreements. Phantom units become payable, in cash or common units, at our election, upon the separation of the executive from service or upon the occurrence of certain other events specified in the applicable agreement. For each phantom unit in Mr. Miller's mandatory deferred compensation account, we credit such account, solely in phantom units, with an amount, in respect of Mr. Miller's DERs, equal to the cash distributions paid on our common units each quarter. The crediting occurs as of the date on which we pay such cash distributions on our common units. The number of phantom units credited to Mr. Miller's mandatory deferred compensation account is calculated by dividing the dollar amount of the DERs by the closing price for the common units on the trading day immediately prior to the day on which the cash distribution is paid on our common units. Each DER is the economic equivalent of one common unit.

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In 2015, the compensation committee engaged BDO USA, LLP to analyze master limited partnership and competitor data that provides market reference points for evaluating potential long-term incentive compensation for our executive officers. BDO USA, LLP recommended an equity grant consisting of (i) Time Vested Units (TVUs) vesting ratably over three years of service and (ii) Performance Vested Units (PVUs) vesting annually over a three-year period if certain performance goals are satisfied. Effective December 31, 2015, the compensation committee, taking into consideration the analysis performed by BDO USA, LLP, granted TVUs and PVUs to Lawrence Miller, Sean P. McGrath and David L. Meyers to enhance the alignment of the executives' performance with unitholders' interests and to reward executives for achieving long-term strategic goals. Mr. Miller's TVUs and PVUs commenced vesting on January 1, 2015 pursuant to a non-binding commitment to Mr. Miller; Mr. McGrath's TVUs commenced vesting on September 28, 2015, pursuant to his offer letter, and his PVUs commenced vesting on December 31, 2015; and Mr. Meyers' PVUs and TVUs commenced vesting on December 31, 2015. TVUs vest ratably over three years and PVUs are subject to annual vesting over a three-year period at threshold, target and maximum levels of performance. Upon vesting, the executive is entitled to one common unit for each vested TVU or PVU. In the event of the termination of the employment of the executive, (whether voluntary or involuntary and regardless of the reason for the termination, or for no reason whatsoever), the unvested TVUs and PVUs are automatically forfeited.

The following table sets forth the number of TVUs for each executive, which figures do not include applicable distribution equivalent rights ("DERs"):

<u>Name</u>	<u>Number of TVUs</u>
Lawrence Miller	21,681
Sean P. McGrath	8,324
David L. Meyers	7,729

The following table sets forth the number of PVUs that each executive may receive per year depending on whether the threshold, target or maximum level of performance is achieved, which figures do not include applicable DERs. The compensation committee intends to establish within the first 90 days of each calendar year, commencing 2016, the applicable threshold, target and maximum level of performance. If performance conditions are not determinable on or before December 31 of the applicable calendar year, PVUs will vest at the target level.

<u>Name</u>	<u>Annual PVUs at Threshold Level</u>	<u>Annual PVUs at Target Level</u>	<u>Annual PVUs at Maximum Level</u>
Lawrence Miller	3,614	7,228	14,455
Sean P. McGrath	1,387	2,774	5,549
David L. Meyers	1,288	2,576	5,152

The following is a brief summary of the terms of the TVUs and PVUs granted on December 31, 2015 to each of Messrs. Miller, McGrath and Meyers.

Mr. Miller was granted (i) 21,681 TVUs which vest in three equal annual installments starting on December 31, 2015, as of which date 7,227 TVUs, plus related DERs, vested; and (ii) PVUs at levels set forth in the above chart that vest annually on December 31, 2015, December 31, 2016, and December 31, 2017, provided the respective performance conditions established by the compensation committee have been achieved for applicable calendar year. The compensation committee determined that performance conditions for vesting of PVUs on December 31, 2015 were satisfied by Mr. Miller at the target level for 2015, and 7,228 PVUs (plus related DERs) vested on December 31, 2015. Messrs. McGrath and Meyers were granted 8,324 and 7,729 TVUs, respectively. The TVUs for Messrs. McGrath and Meyers vest in three equal annual installments starting on September 28, 2015 and December 31, 2015, respectively. Concurrently, Messrs. McGrath and Meyers were granted PVUs that vest annually on December 31, 2016, December 31, 2017, and December 31, 2018, provided the respective performance conditions established by the compensation committee have been achieved for the applicable calendar year.

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The unvested TVUs and PVUs are not entitled to receive distributions made by us to holders of common units until such units have vested. However, we maintain a DER account for each executive credited with the distributions, which would have been paid on the unvested TVUs and PVUs had such units been outstanding from and after the applicable dates of commitment, which with respect to Mr. Miller's TVUs and PVUs is January 1, 2015, with respect to the Mr. McGrath's TVUs and PVUs is September 28, 2015 and December 31, 2015, respectively, and with respect to Mr. Meyers' TVUs and PVUs is December 31, 2015.

For additional information on awards previously made to our executive officers, see Note 12 to consolidated financial statements included in this Annual Report on Form 10-K. The board does not have a program, plan or practice to time grants of awards in coordination with release of material non-public information.

Severance Payments

The employment agreement for Mr. Miller, which was amended and restated in July 2013, provides for severance payments in the amount of 2.5 times base salary in the event an executive's employment is terminated by our general partner without cause or by the executive for good reason. In that circumstance, all of the executive's unvested equity awards will vest and the executive will be entitled to the continuation of insurance benefits for an agreed period or a cash equivalent. The letter agreement with Mr. McGrath provides for a payment equal to one year of his base salary in case of Mr. McGrath's termination without cause, including due to a change of control. Upon a change of control, all of our executives' unvested equity awards will vest. We believe that the foregoing arrangements are necessary to provide for personal financial security and encourage the continued attention and dedication of the management talent required to achieve our business goals.

Health and Welfare Benefits and Perquisites

Our named executive officers participate in a wide array of benefit plans that are available to all of our salaried employees, including health, life and disability insurance plans. We generally do not offer our named executive officers any material compensation in the form of perquisites. Perquisites provided to our named executive officers described in Footnote 2 to the Summary Compensation Table below are linked to our compensation philosophy of encouraging the long-term retention of our executives.

COMPENSATION COMMITTEE REPORT

The Compensation, Nominating and Governance, and Compliance Committee of the board of directors of our general partner has reviewed and discussed with management the Compensation Discussion and Analysis for the year ended December 31, 2015. Based on such review and discussions, the Compensation, Nominating and Governance, and Compliance Committee recommended to the board that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

This Compensation Committee Report shall not be deemed incorporated by reference in any document previously or subsequently filed with the SEC that incorporates by reference all or any portion of this Annual Report on Form 10-K, except to the extent that we specifically request that the report be incorporated by reference.

By the Compensation, Nominating and Governance, and Compliance Committee.

Fenton R. Talbott, Chairman

Robert B. Hellman, Jr.

Martin R. Lautman

SUMMARY COMPENSATION TABLE

The following table sets forth summary information relating to all compensation awarded to, earned by, or paid to the individuals listed in the table below, collectively referred to as our “named executive officers,” for all services rendered in all capacities to our subsidiaries and us during the years noted. Terms “Stock” and “Option” in the Summary Compensation Table and other tables included in this Item 11 refer to common units and unit appreciation rights, respectively, of StoneMor Partners L.P.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (1) (\$)	Option Awards (1) (\$)	All Other Compensation (2) (\$)	Total (\$)
Lawrence Miller Chief Executive Officer, President and Chairman of the Board	2015	\$ 528,000	\$ —	\$ 1,354,782	\$ —	\$ 50,494	\$ 1,933,276(3)
	2014	\$ 527,884	\$ 300,000	\$ 161,150	\$ —	\$ 13,200	\$ 1,002,234(3)
	2013	\$ 526,616	\$ 462,515	\$ 143,754	\$ —	\$ 13,200	\$ 1,146,085(3)
Sean P. McGrath (4) Chief Financial Officer and Secretary	2015	\$ 87,500	\$ 175,000	\$ 447,944	\$ —	\$ —	\$ 710,444
James M. Pippis (4) Chief Accounting Officer and Former Interim Chief Financial Officer	2015	\$ 186,256	\$ —	\$ —	\$ —	\$ —	\$ 186,256
Timothy K. Yost (4) Former Chief Financial Officer and Secretary	2015	\$ 155,769	\$ —	\$ —	\$ —	\$ —	\$ 155,769
	2014	\$ 250,000	\$ 75,000	\$ —	\$ —	\$ —	\$ 325,000
	2013	\$ 250,000	\$ 189,332	\$ —	\$ —	\$ —	\$ 439,332
David L. Meyers Chief Operating Officer	2015	\$ 325,000	\$ —	\$ 415,948	\$ —	\$ —	\$ 740,948
	2014	\$ 300,000	\$ 75,000	\$ —	\$ —	\$ 6,000	\$ 381,000
	2013	\$ 56,538	\$ —	\$ —	\$ 50,000	\$ 20,548	\$ 127,086

- (1) Represents the aggregate grant date fair value of awards made during the year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 referred to as “ASC Topic 718” based on the assumptions set forth in Note 12 to the consolidated financial statements included in our Annual Report on Form 10-K. In 2015, Mr. Miller received 6,609 restricted phantom units with an aggregate fair value of \$187,830. Also, Messrs. Miller, McGrath and Meyers received TVUs and PVUs under the Long-Term Incentive Plan with aggregate fair values of \$1,166,952, \$447,944 and \$415,948, respectively, assuming the target condition is met in each of the three vesting periods. The values of these awards are \$1,750,388, \$671,970, and \$623,908, respectively, if the maximum conditions are met in each of the three vesting periods. In 2014, Mr. Miller received 6,459 restricted phantom units with an aggregate fair value of \$161,150. In 2013, Mr. Miller received 5,685 restricted phantom units with an aggregate fair value of \$143,754. Also, in 2013, Mr. Meyers received 25,000 Unit Appreciation Rights (UARs) with an aggregate fair value of \$50,000.
- (2) Other compensation for 2015 includes an auto allowance for \$13,200 for Mr. Miller, as well as cash paid for the settlement of distribution equivalent rights of \$37,294, pursuant to his 2015 unit award agreement. Other compensation for 2014 includes an auto allowance of \$13,200 for Mr. Miller and \$6,000 for temporary housing expenses for Mr. Meyers. Other compensation for 2013 includes an auto allowance of \$13,200 for Mr. Miller and a \$12,500 hiring bonus to Mr. Meyers. We also paid \$8,048 in 2013 for relocation and temporary housing expenses for Mr. Meyers.
- (3) For information regarding cash distributions that may be received by Mr. Miller by reasons of his ownership interests in our general partner or its affiliates see “Item 13. Certain Relationships and Related Transactions, and Director Independence.”
- (4) Timothy K. Yost served as Chief Financial Officer until his resignation effective May 13, 2015. Upon Mr. Yost’s resignation, James M. Pippis served as Interim Chief Financial Officer until Sean P. McGrath’s appointment as Chief Financial Officer effective September 28, 2015.

GRANTS OF PLAN-BASED AWARDS DURING THE YEAR ENDED DECEMBER 31, 2015

The following table sets forth information regarding grants of plan-based awards to our named executive officers during the year ended December 31, 2015.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan			All Other Stock	Grant Date Fair Value of Stock and Option Awards
		Threshold (#)	Awards Target (#)	Maximum (#)	Awards: Number of Shares of Stock or Units (#)	
Lawrence Miller	2/16/2015	—	—	—	1,582(1)	\$ 44,331(2)
	5/15/2015	—	—	—	1,533(1)	\$ 46,047(2)
	8/14/2015	—	—	—	1,805(1)	\$ 47,763(2)
	11/13/2015	—	—	—	1,689(1)	\$ 49,689(2)
	12/31/2015	—	—	—	21,681(3)	\$ 583,436(4)
	12/31/2015	10,842	21,684	43,365(3)	—	\$ 1,166,952(4)
Sean P. McGrath	12/31/2015	—	—	—	8,324(3)	\$ 223,999(4)
	12/31/2015	4,161	8,322	16,647(3)	—	\$ 447,971(4)
David L. Meyers	12/31/2015	—	—	—	7,729(3)	\$ 207,987(4)
	12/31/2015	3,864	7,728	15,456(3)	—	\$ 415,921(4)

- (1) Under the executive restricted phantom unit agreements entered into under our long-term incentive plans, Mr. Miller was credited with 6,609 phantom units during 2015, pursuant to his distribution equivalent rights. The distribution equivalent rights accrue on restricted phantom units representing limited partner interests and become payable, in cash or common units, at the election of the issuer, upon the separation of the reporting person from service or upon the occurrence of certain other events. Each distribution equivalent right is the economic equivalent of one common unit representing a limited partner interest.
- (2) The grant date fair value, pursuant to his distribution equivalent rights, is equal to the cumulative restricted phantom units outstanding at the time of the distribution, multiplied by the per-unit monetary distribution, divided by the closing price per common unit on the day prior to the distribution date.
- (3) During 2015, Messrs. Miller and Meyers were granted unit awards, respectively, consisting of Time Vested Units and Performance Vested Units. Refer to “Compensation Discussion and Analysis” above for more information.
- (4) The fair value per unit is based on the close price of our common units on the date immediately preceding the date of grant and the assumption that the maximum performance conditions were met.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2015

The following table sets forth information with respect to outstanding equity awards at December 31, 2015 for our named executive officers.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested	Number of Unearned Shares, units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	
Lawrence Miller	—	—	\$ —	—	76,976(2)	\$ 2,057,568(2)	—	\$ —	
Lawrence Miller	—	—	\$ —	—	—	\$ —	43,364(3)	\$ 1,159,120(3)	
Sean P. McGrath	—	—	\$ —	—	—	\$ —	24,971(3)	\$ 667,475(3)	
James M. Pippis	125	313	\$ 24.97	5/30/2017	—	\$ —	—	\$ —	
Timothy K. Yost	—	—	\$ —	—	—	\$ —	—	\$ —	
David L. Meyers	4,687	11,459	\$ 25.61	10/22/2018	—	\$ —	23,185(3)	\$ 619,735(3)	

- (1) Pursuant to a unit appreciation rights agreement entered into under our 2004 Long-Term Incentive Plan on October 22, 2013, Mr. Meyers was granted 25,000 UARs. Pursuant to a unit appreciation rights agreement entered into under our 2004 Long-Term Incentive Plan on May 30, 2012, Mr. Pippis was granted 3,000 UARs. The UARs entitle an executive to receive, in our whole common units or cash, at our election, the excess of the fair value of the common unit on the day prior to the exercise date over the applicable exercise price, which was the last trading price of a common unit immediately preceding the grant. The UARs vest ratably over a period of 48 months beginning on the grant date.
- (2) Consistent with prior periods, during 2015 Mr. Miller was credited with 6,609 phantom units pursuant to his distribution equivalent rights pursuant to awards granted under our long-term incentive plans. The phantom units become payable, in cash or common units, at our election, upon the separation of the executive from service as an executive of our general partner or upon the occurrence of certain other events. The market value has been computed by multiplying the closing price of the common units on December 31, 2015 by the number of restricted phantom units held by Mr. Miller in his deferred compensation account at December 31, 2015.
- (3) Effective December 31, 2015, 7,227 Time Vested Units and 7,228 of Performance Vested Units vested for Mr. Miller. He has 43,364 unvested units remaining at December 31, 2015, assuming the satisfaction of the maximum conditions for the Performance Vested Units. Unvested units totaled 24,971 and 23,185, respectively, at December 31, 2015 for Messrs. McGrath and Meyers, respectively. The market value of these outstanding awards has been computed by multiplying the closing price of the common units on December 31, 2015 by the number of unvested units held by Messrs. Miller, McGrath and Meyers.

OPTION EXERCISES AND STOCK VESTED DURING YEAR ENDED DECEMBER 31, 2015

The following table provides information about the value realized by the named executive officers on the exercise of unit appreciation rights during the year ended December 31, 2015.

Name	Option Awards		Stock Award	
	Number of Shares Acquired on Exercise (#) (1)	Value Realized on Exercise (\$) (1)	Number of Shares Acquired on Vesting (#) (2)	Value Realized on Vesting (\$) (2)
Lawrence Miller	—	\$ —	14,455	\$ 386,382
James M. Pippis	217	\$ 6,165	—	\$ —
James M. Pippis	59	\$ 1,802	—	\$ —
James M. Pippis	85	\$ 2,639	—	\$ —
Timothy K. Yost	3,357	\$ 99,032	—	\$ —
David L. Meyers	931	\$ 26,645	—	\$ —

- (1) Messrs. Yost and Meyers exercised 19,270 UARs and 8,854 UARs, respectively, which had vested under our 2004 Long Term Incentive Plan. The UARs had an exercise price of \$24.36 and \$25.61 per unit, respectively, and their exercise resulted in the issuance of 3,357 units and 931 units, respectively, based upon the difference between the closing price of our outstanding common units on the day prior to the exercise date (May 12, 2015 (\$29.50), and March 25, 2015 (\$28.62), respectively), and the exercise price. Mr. Pippis exercised 1,800, 325 and 437 UARs, which had vested under our 2004 Long Term Incentive Plan. The UARs had an exercise price of \$24.97 per unit and their exercise resulted in the issuance of 217, 59 and 85 units, respectively, based upon the difference between the closing price of our outstanding common units on the day prior to the exercise dates of January 28, 2015 (\$28.41), April 27, 2015 (\$30.55) and November 3, 2015 (\$31.05), respectively, and the exercise price.
- (2) During 2015, 14,455 of Mr. Miller's unit awards vested, 7,227 of which were Time Vested and 7,228 of which were Performance Vested at the target level. The market value has been computed by multiplying the closing price of the common units on December 31, 2015 by the number of units vested.

AGREEMENTS WITH NAMED EXECUTIVE OFFICERS

The following is a summary of certain material provisions of agreements between our general partner and Messrs. Miller, McGrath and Meyers.

Lawrence Miller

On July 22, 2013, our general partner entered into the Employment Agreement with Mr. Miller, President and Chief Executive Officer, amending and restating his prior employment agreement effective as of September 20, 2004, as amended. The employment agreement has an initial term of three years, but is automatically extended for successive one-year terms, unless either party gives written notice of non-renewal ninety days prior to the end of the then term (the "Employment Period").

During the Employment Period, Mr. Miller will receive an annual base salary of \$528,000, subject to increase in the discretion of StoneMor GP's Board of Directors or the Compensation Committee. In addition, Mr. Miller is eligible to receive an annual bonus award based upon satisfaction of objectives approved by the Board of Directors or the Compensation Committee. If no objectives are established, Mr. Miller may, at the discretion of StoneMor GP, receive a bonus of up to 50% of his base salary for meeting budgeted goals. Mr. Miller is also entitled to participate in other discretionary bonus or performance-based bonus programs for senior executives as well as equity incentive plans, as determined in the discretion of the Board or the Compensation Committee.

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The Employment Agreement includes certain obligations of StoneMor GP upon the termination of Mr. Miller's employment. In the event of Mr. Miller's death, during the Employment Period, or "Disability," as defined in the Employment Agreement, Mr. Miller, Mr. Miller's estate, and/or beneficiaries, as applicable, are entitled to: (i) earned but unpaid base salary prior to the date of termination; (ii) payment for all accrued but unused vacation time prior to the date of termination; (iii) in the event of death, payment for any earned but deferred bonus for any year prior to the year of his death or, in the event of Disability, payment of any earned but unpaid bonus that was deferred or elected to be deferred by Mr. Miller or StoneMor GP; (iv) a pro rata portion of the bonus payable under any bonus program in effect for the year in which the termination occurs; (v) immediate vesting of and lapsing of restrictions on all unvested stock awards, if any, held as of the date of termination; (vi) continuation of personal or family medical benefits, as applicable, for two years; (vii) in the event of death, a payment of \$4,875,000, or in the event of Disability, an amount equal to the product of Mr. Miller's base salary, multiplied by a factor of 2.50; and (viii) such additional benefits provided for in the then existing plans, programs and/or arrangements of StoneMor GP. In order to partially fund the foregoing benefits in the event of Mr. Miller's death, StoneMor GP has purchased life insurance coverage in the face amount of \$5,000,000, payable to StoneMor GP, with premiums of \$44,635 per year for the term of the policy.

In the event Mr. Miller's employment is terminated for "Cause," as defined in the Employment Agreement, Mr. Miller is entitled to: (i) earned but unpaid base salary prior to the date of termination; (ii) payment for all accrued but unused vacation time prior to the date of termination; (iii) payment of any earned bonus that was deferred; and (iv) such additional benefits as may be provided by the then existing plans, programs and/or arrangements of StoneMor GP.

Mr. Miller's employment may be terminated by StoneMor GP without Cause or Mr. Miller may terminate his employment for "Good Reason," as defined in the Employment Agreement. In either event, Mr. Miller is entitled to: (i) earned but unpaid base salary prior to the date of termination; (ii) payment for all accrued but unused vacation time up to the date of termination; (iii) payment of any earned bonus that was deferred; (iv) any bonus payable pursuant to any bonus program, to the extent already earned but not paid in the year in which termination occurs; (v) an amount equal to Mr. Miller's base salary, multiplied by a factor of 2.50; (vi) immediate vesting of and lapsing of restrictions on all unvested stock awards; (vii) continued participation in StoneMor GP's medical, dental, hospitalization and life insurance plans, programs and/or arrangements in which he was participating on the date of the termination until the earlier of two years; the date he receives substantially equivalent coverage under the plans, programs and/or arrangements of a subsequent employer or the date on which such plans are terminated, provided, however that if such coverage not be allowed under StoneMor GP's plans, Mr. Miller is entitled to a lump sum payment, less contributions, in an amount equal to the amount that StoneMor GP would have spent on Mr. Miller's premiums for the same period; and (viii) such additional benefits provided under existing plans and programs of StoneMor GP (other than severance payments payable under any benefit plan).

During the Employment Period and for one year thereafter, Mr. Miller is generally prohibited from engaging in any business that competes with StoneMor GP in areas in which StoneMor GP conducts business during the Employment Period and as of the date of termination of Mr. Miller's employment. During the Employment Period and for two years thereafter, Mr. Miller is generally prohibited from soliciting or inducing any of StoneMor GP's employees to terminate their employment or accept employment with anyone else or interfere in a similar manner with the business of StoneMor GP. The non-competition period may terminate earlier if (i) Mr. Miller is terminated other than for Cause and (ii) such termination does not occur within thirty days of a "Change in Control," as defined in the Employment Agreement. In addition, subject to limited exceptions, during the Employment Period and thereafter, Mr. Miller is obligated not to divulge, furnish or make available to any person confidential information with respect to the business or affairs of StoneMor GP.

Sean P. McGrath

In August 2015, Mr. McGrath entered into a letter agreement with our general partner, which provides that Mr. McGrath will receive an annual base salary of \$350,000 per year and an annual incentive bonus of \$175,000

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for his services in 2015. Pursuant to the letter agreement, Mr. McGrath is also eligible to receive, subject to mutually agreed terms and conditions: (i) an annual incentive bonus, with a target bonus equal to 75% of his annual base salary; (ii) an annual equity incentive award targeted at 75% of Mr. McGrath's base salary; (iii) a 1% interest in our general partner; and (iv) a payment equal to one year of base salary in case of Mr. McGrath's termination without cause, including due to a change of control. Mr. McGrath also entered into a Confidentiality and Non-Compete Agreement with our general partner, which contains customary non-solicitation, non-competition and confidentiality covenants.

David Meyers

In October 2013, Mr. Meyers entered into a Letter Agreement with our general partner, which provides for Mr. Meyers to receive an annual base salary of \$300,000 per year and a hiring bonus of \$12,500. Pursuant to the Letter Agreement, Mr. Meyers is also eligible to receive a discretionary annual bonus of up to a maximum of 25% of his annual base salary. Mr. Meyers also entered into a Confidentiality and Non-Compete Agreement with StoneMor GP, which contains customary non-solicitation, non-competition and confidentiality covenants.

Time Vested Units and Performance Vested Units Granted In 2015

Effective December 31, 2015, Messrs. Miller, McGrath and Meyers were granted TVUs and PVUs, pursuant to Key Employee Unit Agreements under our 2014 Long-Term Incentive Plan. See to the "Compensation Discussion and Analysis" section above for more information on these equity awards.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

The following table describes the potential payments and benefits under Mr. Miller's employment agreement and the letter agreement with Mr. McGrath described above under "Agreements with Named Executive Officers" to which the named executive officers would be entitled upon termination of employment if our general partner terminated their employment without cause or if the executive terminates, as applicable, assuming the termination took place on December 31, 2015. In addition, a change of control of our general partner or of us would accelerate the vesting of the outstanding unvested awards granted under our long-term incentive plans.

Pursuant to Executive Restricted Phantom Unit Agreements with Mr. Miller, all payments to Mr. Miller of his mandatory deferred compensation account will commence upon: (i) the separation from service; (ii) disability; (iii) unforeseeable emergency; (iv) a Change of Control; or (v) death.

Under the Key Employee Unit Appreciation Rights Agreements with Messrs. Pippis and Meyers, all unvested UARs automatically vest upon a Change of Control (as defined in the Long-Term Incentive Plan). All UARs also automatically vest upon retirement at or after age 60 if the executive has at least 25 years of service with our company or any of our predecessor's companies, as determined by the compensation committee. In the event of the termination of the employment (whether voluntary or involuntary and regardless of the reason for the termination), all UARs (whether or not vested) shall be deemed to be automatically forfeited. Notwithstanding the foregoing, in the event of the termination of employment by reason of (i) a Change of Control; (ii) death; (iii) permanent disability; or (iv) retirement at such age as the compensation committee shall approve, no forfeiture shall apply.

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Name	Cash Severance Payment (\$ (1))	Continuation of Medical / Welfare Benefits (Present Value) (\$ (2))	Acceleration and Continuation of Equity Awards (\$ (3))	Total Termination Benefits (\$)
Lawrence Miller:				
Termination:				
<i>by death</i>	\$ 4,875,000	\$ 34,562	\$ 2,057,568	\$ 6,967,130
<i>by disability, by executive for good reason or by our general partner without cause</i>	\$ 1,320,000	\$ 34,562	\$ 2,057,568	\$ 3,412,130
Sean P. McGrath	\$ 350,000	\$ —	\$ —	\$ 350,000
James M. Pippis	\$ —	\$ —	\$ 551	\$ 551
David L. Meyers	\$ —	\$ —	\$ 12,834	\$ 12,834

- (1) Mr. Miller is entitled to 2.5 times his base annual salary if he is terminated by disability or without cause, or if he terminates with good reason. Mr. McGrath is entitled to receive a severance payment equal to one year of base salary upon termination without cause, including due to a change of control, assuming he executes a separation agreement and full release of claims.
- (2) Mr. Miller is entitled to continued coverage under our medical, dental, hospitalization and life insurance programs for two years for himself or his dependents, as applicable.
- (3) At December 31, 2015, Mr. Miller held 76,976 restricted executive phantom units. Mr. Meyers held 11,458 unvested UARs for which the exercise price was \$25.61. Mr. Pippis held 313 unvested UARs for which the exercise price was \$24.97. The UARs automatically vest if there is a change in control, but remain unvested if there is termination event by other means. The amount calculated hereunder is based upon the closing price of our outstanding common units at December 31, 2015 (\$26.73). The fair value of Mr. Miller's restricted executive phantom units is equal to the total phantom units outstanding multiplied by the December 31, 2015 closing price. The value of UARs is equal to the total unvested UARs multiplied by the difference between the closing price of our common units at December 31, 2015 and the relevant exercise prices.

DIRECTOR COMPENSATION

The following table sets forth compensation information for 2015 for each member of our general partner's board of directors, except for Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of our general partner, who does not receive additional compensation for serving on the board. See "Summary Compensation Table" for compensation disclosures related to Mr. Miller.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(3)(4)	Total (\$)
Howard L. Carver (1)	\$ 60,750	\$ 90,285	\$ 151,035
Jonathan A. Contos (1)	\$ 88,000	\$ —	\$ 88,000
Allen R. Freedman (1)	\$ 35,750	\$ 140,186	\$ 175,936
Robert B. Hellman, Jr. (1)	\$ 94,000	\$ —	\$ 94,000
Martin R. Lautman, Ph.D. (1)	\$ 44,000	\$ 105,819	\$ 149,819
Leo J. Pound (1)	\$ 68,750	\$ 21,219	\$ 89,969
William R. Shane (2)	\$ 74,000	\$ 64,983	\$ 138,983
Fenton R. Talbott (1)	\$ 90,000	\$ 69,497	\$ 159,497

- (1) Each board member denoted was entitled to an annual retainer of \$80,000, which could have been received in cash, restricted phantom units or a combination of cash and restricted phantom units at the board member's election. A minimum of \$20,000 of the \$80,000 annual retainer had to be paid in restricted phantom units to each

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director. Following the Reorganization, the board determined that this minimum did not apply to Messrs. Hellman and Contos, who were compensated in cash thereafter. In addition to the retainers, the same board members were entitled to a meeting fee of \$2,000 for each meeting of the board of directors attended in person and \$1,500 for each committee meeting attended in person, a fee of \$500 for participation in each telephone board call that is greater than one hour, but less than two hours, and \$1,000 for participation in each telephone board call that is two hours or more. In addition, Mr. Freedman receives an annual retainer of \$15,000 as the Chairman of the Audit Committee and Mr. Talbott receives an annual retainer of \$10,000 for serving as the Chairman for our Compensation, Nominating and Governance, and Compliance Committee. Lastly, each board member is entitled to receive restricted phantom units pursuant to their distribution equivalent rights. The cash amounts shown in the table above are those earned during 2015. For information regarding cash distributions that may be received by our directors by reasons of their ownership interests in our general partner or its affiliates see “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

(2) In connection with his retirement from the position of Executive Vice President and Chief Financial Officer, Mr. Shane entered into an employment agreement with our general partner, pursuant to which he served as an advisor available to management and Vice Chairman of the Board of Directors of our general partner until April 1, 2014. Upon expiration of this agreement, Mr. Shane agreed to continue in this role on an at-will basis. During 2015, Mr. Shane earned \$82,962 in this capacity. Excluding his stock awards and his \$74,000 cash retainer for serving as a director, Mr. Shane did not receive any other compensation as a director during 2015. His total cash compensation for the year was \$156,962.

(3) The restricted phantom units awarded as retainer compensation are credited to a mandatory deferred compensation account established for each such person. In addition, for each restricted phantom unit in such account, we credit the account, solely in additional restricted phantom units, an amount of distribution equivalent rights so as to provide the restricted phantom unit holders means of participating on a one-for-one basis in distributions made to holders of our common units. Payments to the participant’s mandatory deferred compensation account will be made on the earlier of (i) separation of the participant from service as a director, (ii) disability, (iii) unforeseeable emergency, (iv) death, or (v) change of control of our Partnership or our general partner and will be paid at our election in our common units or cash. A summary of activity in these accounts is shown below:

	Deferred Compensation Account Balance at 12/31/2014	2015 Elective Compensation	Restricted Phantom Units		Deferred Compensation Account Balance at 12/31/2015
			2015 Awards Pursuant to Distribution Equivalent Rights	Conversion to Common Units Upon Resignation	
Howard L. Carver	18,309	1,471	1,766	—	21,546
Jonathan A. Contos	—	—	—	—	—
Allen R. Freedman	21,483	2,943	2,117	—	26,543
Robert B. Hellman, Jr.	5,857	—	—	—	5,857
Martin R. Lautman, Ph.D.	20,246	1,839	1,964	—	24,049
Leo J. Pound	191	736	42	—	969
William R. Shane	16,586	736	1,582	—	18,904
Fenton R. Talbott	18,277	736	1,741	—	20,754

This table presents the aggregate grant date fair value of awards made during the year in accordance with ASC Topic 718 based on the assumptions set forth in Note 12 to the consolidated financial statements included in our Annual Report on Form 10-K.

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The grant date fair value of each grant awarded to each director of our general partner, who was not also an executive officer of our general partner, is as follows:

Grant Date	Fair Value per Unit (1)	Fair Value of Units Granted							
		Howard Carver	Jonathan Contos	Allen Freedman	Robert Hellman	Martin Lautman	Leo Pound	William Shane	Fenton Talbott
2/16/2015	\$ 28.02	\$11,533	\$ —	\$ 13,534	\$ —	\$ 12,755	\$ 120	\$10,449	\$11,514
3/24/2015	\$ 28.71	\$10,000	\$ —	\$ 20,000	\$ —	\$ 12,500	\$ 5,000	\$ 5,000	\$ 5,000
5/12/2015	\$ 29.50	\$10,000	\$ —	\$ 20,000	\$ —	\$ 12,500	\$ 5,000	\$ 5,000	\$ 5,000
5/15/2015	\$ 30.04	\$12,202	\$ —	\$ 14,504	\$ —	\$ 13,527	\$ 236	\$10,965	\$12,072
8/14/2015	\$ 26.46	\$12,877	\$ —	\$ 15,485	\$ —	\$ 14,307	\$ 355	\$11,484	\$12,632
8/25/2015	\$ 23.84	\$10,000	\$ —	\$ 20,000	\$ —	\$ 12,500	\$ 5,000	\$ 5,000	\$ 5,000
11/10/2015	\$ 27.43	\$10,000	\$ —	\$ 20,000	\$ —	\$ 12,500	\$ 5,000	\$ 5,000	\$ 5,000
11/13/2015	\$ 29.42	\$13,673	\$ —	\$ 16,663	\$ —	\$ 15,230	\$ 508	\$12,085	\$13,279
Total		\$90,285	\$ —	\$ 140,186	\$ —	\$105,819	\$21,219	\$64,983	\$69,497

(1) The fair value per unit is based on the closing price of our common units on the date immediately preceding the date of grant.

During the third quarter of 2014, Messrs. Hellman and Contos elected to have all compensation pertaining to their services rendered, to be paid directly to ACII.

LONG-TERM INCENTIVE PLANS

In 2004, our general partner adopted the StoneMor Partners L.P. Long-Term Incentive Plan, as amended (the “2004 long-term incentive plan”), for employees, consultants and directors of our general partner and its affiliates. The 2004 long-term incentive plan permits the grant of awards covering an aggregate of 1,124,000 common units in the form of unit options, unit appreciation rights, restricted units and phantom units. The 2004 long-term incentive plan expired on September 10, 2014 pursuant to its terms. Although outstanding awards under the 2004 long-term incentive plan continue in effect upon such expiration, we were unable to grant new awards under the 2004 long-term incentive plan after September 10, 2014. The board of directors of our general partner unanimously approved the StoneMor Partners L.P. 2014 Long-Term Incentive Plan (the “2014 Plan”) effective September 24, 2014, subject to unitholder approval, and on November 13, 2014, at a special meeting of unitholders, the 2014 Plan was approved by unitholders. Generally, the terms of the 2014 plan and the 2004 long-term incentive plan are similar. The 2014 plan provides us with more flexibility in granting various types of awards and includes, for example, unit awards, which were not part of the 2004 long-term incentive plan.

The 2014 plan is intended to promote the interests of the Partnership, our general partner and their respective affiliates by providing to employees, consultants and directors of our general partner and its affiliates incentive compensation awards to encourage superior performance. The 2014 plan is also contemplated to enhance our ability and the ability of our general partner and its affiliates to attract and retain the services of individuals who are essential for our growth and profitability and to encourage them to devote their best efforts to advancing our business.

Subject to adjustments due to recapitalization or reorganization, the maximum aggregate number of common units which may be issued pursuant to all awards under the 2014 plan is 1,500,000 common units and, commencing with the first business day of each calendar year beginning with 2015, the board may increase such maximum aggregate number of common units by up to 100,000 common units per year. Common units withheld from an award or surrendered by a recipient to satisfy certain tax withholding obligations of the Partnership or an affiliate or in connection with the payment of an exercise price with respect to an award will not be considered to be common units delivered under the 2014 plan. If any award is forfeited, canceled, exercised, settled in cash or otherwise terminates or expires without the actual delivery of common units pursuant to the award, the common units subject to such award will be again available for awards under the 2014 plan.

The 2014 plan is administered by the compensation committee of the board of directors of our general partner. The compensation committee has full power and authority to: (i) designate participants; (ii) determine

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the type or types of awards to be granted to a participant; (iii) determine the number of common units to be covered by awards; (iv) determine the terms and conditions of any award, including, without limitation, provisions relating to acceleration of vesting or waiver of forfeiture restrictions; (v) determine whether, to what extent, and under what circumstances awards may be vested, settled, exercised, canceled, or forfeited; (vi) interpret and administer the 2014 plan and any instrument or agreement relating to an award made under the 2014 plan; (vii) establish, amend, suspend, or waive such rules and regulations and delegate to and appoint such agents as it deems appropriate for the proper administration of the 2014 plan; and (viii) make any other determination and take any other action that the compensation committee deems necessary or desirable for the administration of the 2014 plan. The committee may correct any defect or supply any omission or reconcile any inconsistency in the 2014 plan or an award agreement, as the committee deems necessary or appropriate.

Awards under the 2014 plan may be in the form of: (i) phantom units; (ii) restricted units (including unit distribution rights, referred to as “UDRs”); (iii) options to acquire common units; (iv) UARs; (v) DERs; (vi) unit awards and cash awards; and (viii) performance awards. Awards under the 2014 plan may be granted either alone or in addition to, in tandem with or in substitution for any other award granted under the 2014 plan. Awards granted in addition to or in tandem with other awards may be granted at either the same time as or at a different time from the other award. If an award is granted in substitution or exchange for another award, the compensation committee shall require the recipient to surrender the original award in consideration for the grant of the new award. Awards under the 2014 plan may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of our general partner, our Partnership, or any affiliates, in which the value of common units subject to the award is equivalent in value to the cash compensation, or in which the exercise price, grant price, or purchase price of the award in the nature of a right that may be exercised is equal to the fair market value of the underlying common units minus the value of the cash compensation surrendered. Summaries of the different types of awards are provided below:

Phantom Unit

A phantom unit entitles the grantee to receive a common unit upon the vesting of the phantom unit, or at the discretion of our compensation committee, the cash equivalent of the fair market value of a common unit. The compensation committee determines the number of phantom units to be granted, the period of time when the phantom units are subject to forfeiture, vesting or forfeiture conditions, which may include accelerated vesting upon the achievement of certain performance goals, and such other terms and conditions the compensation committee may establish, including whether DERs are granted with respect to phantom units.

Restricted Unit

A restricted unit is subject to a restricted period established by the compensation committee, during which the award remains subject to forfeiture or is either not exercisable by or payable to the recipient of the award. The compensation committee determines the number of restricted units to be granted, the period of time when the restricted units are subject to forfeiture, vesting or forfeiture conditions, which may include accelerated vesting upon the achievement of certain performance goals, and such other terms and conditions the compensation committee may establish. Upon or as soon as reasonably practical following the vesting of a restricted unit, the participant is entitled to have the restrictions removed from the unit certificate so that the unit will be unrestricted.

Option

The compensation committee determines the number of common units underlying each option, whether DERs also are to be granted with the common unit option, the exercise price and the conditions and limitations applicable to the exercise of the common unit option.

UAR

A UAR entitles the grantee to receive the excess of the fair market value of a common unit on the exercise date over the exercise price established for such UAR, which may be paid in cash or common units at the

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discretion of the compensation committee. The compensation committee determines the number of common units to be covered by each grant, whether DERs are granted with respect to such UAR, the exercise price and the conditions and the limitations applicable to the exercise of the UAR, which may include accelerated vesting upon the achievement of certain performance goals.

DER

A DER entitles the grantee to receive an amount, payable either in cash or common units at the discretion of the compensation committee, equal to the cash distributions we make with respect to a unit during the period the award is outstanding. At the discretion of the compensation committee, any award, other than a restricted unit or unit award, may include a tandem grant of DERs, which may provide that the DERs will be paid directly to the participant, be reinvested into additional awards, be credited to an account subject to the same restrictions as the tandem award, if any, or be subject to such other provisions and restrictions as determined by the compensation committee.

UDR

A UDR is a distribution made by us with respect to a restricted unit. At the discretion of the compensation committee, a grant of restricted units may also provide for a UDR, which will be subject to the same forfeiture and other restrictions as the restricted units. If restricted, the distributions will be held, without interest, until the restricted unit vests or is forfeited with the UDR being paid or forfeited at the same time, as the case may be. The compensation committee may also provide that distributions be used to acquire additional restricted units. When there is no restriction on the UDRs, UDRs will be paid to the holder of the restricted unit without restriction at the same time as cash distributions are paid by our Partnership to unitholders.

Unit Award

A unit award is a grant of a common unit, which is not subject to a restricted period, during which the award remains subject to forfeiture or is either not exercisable by or payable to the recipient of the award. Unit awards are granted at the discretion of the compensation committee as a bonus or additional compensation or in lieu of cash compensation the recipient would otherwise be entitled to receive, in amounts as the compensation committee determines to be appropriate.

Other Unit Based and Cash Awards

Other awards, denominated or payable in, valued in whole or in part by reference to, or otherwise based, or related to, common units, may be granted by the compensation committee, including convertible or exchangeable debt securities, other rights convertible or exchangeable into common units, purchase rights for common units, awards with value and payment contingent upon performance of our Partnership or any other factors designated by the compensation committee. The compensation committee determines the terms and conditions of such other unit based awards. Additionally, cash awards may also be granted by the compensation committee, either as an element of or supplement to another award or independent of another award.

Performance Award

A performance award is an award under which the participant's right to receive a grant and to exercise or receive a settlement of any award, and the vesting or timing of such award, is subject to performance conditions specified by the compensation committee. Performance conditions consist of one or more business criteria or individual performance criteria and a targeted level or levels of performance with respect to each criterion, as determined by the compensation committee. The achievement of performance conditions shall be measured over a performance period of up to ten years, as specified by the compensation committee. At the end of the applicable performance period, the compensation committee shall determine the amount, if any, of the potential performance award to which the recipient is entitled. The settlement of a performance award shall be in cash, common units or other awards or property at the discretion of the compensation committee.

Change in Control

Upon a change of control of the Partnership or our general partner, the compensation committee may undertake one or more of the following actions, which may vary among individual holders and awards: (i) remove forfeiture restrictions on any award; (ii) accelerate the time of exercisability or lapse of a restricted period; (iii) provide for cash payment with respect to outstanding awards by requiring the mandatory surrender of all or some of outstanding awards; (iv) cancel awards that remain subject to a restricted period without payment to the recipient of the award; or (v) make certain adjustments to outstanding awards as the compensation committee deems appropriate.

If a director's membership on the board of directors of our general partner or an affiliate terminates for any reason, or an employee's employment with our general partner and its affiliates terminates for any reason, his or her unvested awards will be automatically forfeited unless, and to the extent that, our compensation committee or grant agreements provide otherwise.

The 2014 plan became effective on the date of its approval by the board of directors of our general partner as of September 24, 2014. The 2014 plan will continue in effect until the earliest of (i) the date determined by the board of directors of our general partner; (ii) the date that all common units available under the 2014 plan have been delivered to participants; or (iii) the tenth anniversary of the approval of the 2014 plan by the board. The authority of the board of directors or the compensation committee of our general partner's board of directors to amend or terminate any award granted prior to such termination, as well as the awards themselves, will extend beyond such termination date.

RISK ASSESSMENT IN COMPENSATION POLICIES AND PRACTICES FOR EMPLOYEES

The compensation committee reviewed the elements of our compensation policies and practices for all employees, including executive officers, in order to evaluate whether risks that may arise from such compensation policies and practices are reasonably likely to have a material adverse effect on our Partnership. The compensation committee concluded that the following features of our compensation programs guard against excessive risk-taking:

- compensation programs provide a balanced mix of short-term and long-term incentives in cash and equity compensation;
- base salaries are consistent with employees' duties and responsibilities;
- corporate performance goals are set at reasonable and achievable levels, and failure to achieve the goals does not result in a large percentage loss of compensation; and
- cash incentive awards are capped by the compensation committee.

The compensation committee believes that, for all employees, including executive officers, our compensation programs do not lead to excessive risk-taking and instead encourage behavior that supports sustainable value creation. We believe that risks that may arise from our compensation policies and practices for our employees, including executive officers, are not reasonably likely to have a material adverse effect on our Partnership.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the persons who served as members of the Compensation, Nominating and Governance, and Compliance Committee (Fenton R. Talbott, Robert B. Hellman, Jr. or Martin R. Lautman) in 2015 has ever been an officer or other employee of our Partnership, or has any relationship requiring disclosure under Item 404 of Regulation S-K other than as described in "Item 13. Certain Relationships and Related Transactions, and Director Independence."

Additionally, there were no compensation committee "interlocks" during 2015, which generally means that none of executive officers of our general partner served as a director or member of the compensation committee of another entity, one of whose executive officers served as a director or member of the Compensation, Nominating and Governance, and Compliance Committee of the board of directors of our general partner.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, the beneficial ownership of the common units of StoneMor as of February 12, 2016 held by beneficial owners of 5% or more of the units, if any, by directors and named executive officers of our general partner and by all directors and executive officers of our general partner as a group. Unless otherwise indicated, the address for each unitholder is c/o StoneMor Partners L.P., 311 Veterans Highway, Suite B, Levittown, PA 19056. Unless otherwise indicated, the beneficial owner named in the table is deemed to have sole voting and sole dispositive power of the units set forth opposite such beneficial owner's name.

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount of Beneficial Ownership</u>	<u>Percent of Class</u>
Common units	Lawrence Miller (1)	218,735	*
Common units	Sean P. McGrath	—	*
Common units	David L. Meyers	405	*
Common units	William R. Shane (2)	130,620	*
Common units	Howard L. Carver	12,565	*
Common units	Jonathan A. Contos	—	*
Common units	Allen R. Freedman (3)	41,630	*
Common units	Robert B. Hellman, Jr. (4)	2,274,531	7.0%
Common units	Martin R. Lautman, Ph.D. (5)	142,119	*
Common units	Leo J. Pound	1,100	*
Common units	Fenton R. Talbott (6)	18,435	*
All directors and executive officers as a group (11 persons)		2,811,640	8.6%
American Cemeteries Infrastructure Investors, LLC (4) 950 Tower Lane, Suite 800, Foster City, CA 94404		2,255,947	7.0%

* Less than one percent

- (1) Includes 64,167 common units held by LDLM Associates, LP, and 28,500 common units held by Osiris Investments, LP. Mr. Miller is the grantor and trustee of the Miller Revocable Trust, which is the general partner of LDLM Associates, LP. Mr. Miller is also a limited partner of LDLM Associates, LP, holding 98% of its limited partner interests. Mr. Miller and Mr. Shane are each 50% members of Osiris Investments LLC, which is the general partner of Osiris Investments LP. Mr. Miller therefore may be deemed to beneficially own all of the units beneficially owned by LDLM Associates, LP and Osiris Investments, LP. Pursuant to an agreement between Mr. Miller and Bank of America, N.A., as lender (the "Lender"), Mr. Miller pledged 151,200 common units as security for a loan the Lender made to Mr. Miller (the "Miller Pledge Agreement"). In the absence of a default, the Miller Pledge Agreement does not grant to the Lender the power to dispose or direct the disposition of the pledged securities.
- (2) Includes 64,167 common units held by Ten Twenty, LP and 28,500 common units held by Osiris Investments, LP. Mr. Shane is the general partner of Ten Twenty LP. Mr. Miller and Mr. Shane are each 50% members of Osiris Investments LLC, which is the general partner of Osiris Investments LP. Mr. Shane therefore may be deemed to beneficially own all of the units beneficially owned by Ten Twenty LP and Osiris Investments, LP. Pursuant to an agreement between Ten Twenty, LP and the Lender, Ten Twenty, LP pledged 32,196 common units as a security for a loan the Lender made to Ten Twenty, LP (the "Ten Twenty Pledge Agreement"). In the absence of a default, the Ten Twenty Pledge Agreement does not grant to the Lender the power to dispose or direct the disposition of the pledged securities.
- (3) Includes 20,798 common units held by Mr. Freedman's spouse and over which Mr. Freedman may be deemed to have beneficial ownership.
- (4) Mr. Hellman's beneficial ownership includes 18,584 common units held by Mr. Hellman directly and 2,255,947 common units held by American Cemeteries Infrastructure Investors, LLC, referred

to as “ACII.” AIM Universal Holdings, LLC, referred to as “AUH,” is the sole manager of ACII. Ms. Judy Bornstein and Messrs. Matthew P. Carbone and Robert B. Hellman Jr. are managing members of AUH, collectively referred to as the “managing members.” The managing members may be deemed to share voting and dispositive power over the common units held by ACII. ACII is owned by its members: American Infrastructure MLP Fund II, L.P., referred to as “AIM II,” American Infrastructure MLP Founders Fund II, L.P., referred to as “AIM FFII,” and AIM II Delaware StoneMor, Inc., referred to as “AIM II StoneMor.” AIM II StoneMor is owned by American Infrastructure MLP Management II, L.L.C., referred to as “AIM Management II,” and AIM II Offshore, L.P., referred to as “AIM II Offshore.” AIM Management II is the general partner of AIM II, AIM FFII and AIM II Offshore. Mr. Hellman is a managing member of AIM Management II and the president of AIM II StoneMor.

- (5) Includes 3,500 common units held by Mr. Lautman’s spouse and 2,000 common units held in both the P. Lautman Trust and the J. Lautman Trust for the benefit of the director’s children.
- (6) Mr. Talbott pledged 18,435 common units as security for his assets managed accounts with Enterprise Trust Company.

EQUITY COMPENSATION PLAN INFORMATION

The following table details information regarding our equity compensation plan as of December 31, 2015:

<u>Plan Category</u>	<u>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>(b) Weighted average exercise price of outstanding options, warrants and rights</u>	<u>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders—2004 Plan (1)	187,328	\$ 6.80	310,484
Equity compensation plans approved by security holders—2014 Plan (2)	102,661	\$ —	1,382,884
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	<u>289,989</u>	<u>\$ 4.83</u>	<u>1,693,368</u>

- (1) Includes 184,457 restricted phantom units and 2,871 units that would be issued upon exercise of UARs based upon the exercise price of the UARs and the closing price of our common units at December 31, 2015. Although the 2004 Long-term Incentive Plan expired in September 2014 and we are unable to grant new awards under the 2004 plan, phantom units granted under the 2004 plan continue to accrue distribution equivalent rights each time we pay a distribution on our common units. Once phantom units vest, such phantom units as well as phantom units accrued in connection with distribution equivalent rights will be settled either in common units or cash, at our discretion.
- (2) Includes 11,141 restricted phantom units awarded under the 2014 Long-term Incentive Plan. Column (c) is comprised of 1,500,000 available units approved with the 2014 Long-term Incentive Plan, less the phantom units and unit awards awarded to date under the plan. The 2014 plan initially permits the grant of awards covering an aggregate of 1,500,000 common units, a number that the board may increase by up to 100,000 common units per year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

INDEPENDENCE OF DIRECTORS

Even though most companies listed on the NYSE are required to have a majority of independent directors serving on the board of directors of the listed company, the NYSE does not require a listed limited partnership like us to have a majority of independent directors on the board of directors of its general partner.

RELATED PARTY TRANSACTIONS POLICY AND PROCEDURES

The board of directors of our general partner established the Conflicts Committee, which is authorized to exercise all of the power and authority of the board of directors in connection with investigating, reviewing and acting on matters referred or disclosed to it where a conflict of interest exists or arises and performing such other functions as the board may assign to the Conflicts Committee from time to time. Pursuant to the Conflicts Committee Charter, the Conflicts Committee is responsible for reviewing all matters involving a conflict of interest submitted to it by the board of directors or as required by any written agreement involving a conflict of interest to which we are a party. In approving or ratifying any transaction or proposed transaction, the Conflicts Committee determines whether the transaction complies with our policies on conflicts of interests.

DISTRIBUTIONS AND PAYMENTS TO OUR GENERAL PARTNER AND ITS AFFILIATES

We were formed as a Delaware limited partnership to own and operate cemetery and funeral home properties previously owned and operated by Cornerstone. The following table summarizes the distributions and payments to be made by us to our general partner and its affiliates in connection with our ongoing operation and any liquidation. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

Distributions of available cash to our general partner and its affiliates

We have generally made cash distributions of approximately 98-99% to the unitholders, including our general partner, in respect of any common units that it may own, and approximately 1-2% to our general partner. As of December 31, 2015 our general partner's ownership percentage was 1.23%. Our general partner also holds incentive distribution rights. Pursuant to such rights, if distributions per common unit exceed target distribution levels, our general partner will be entitled to increasing percentages of the distributions above each level, up to approximately 48% of the distributions above the highest level plus its general partnership percentage interest.

Payments to our general partner and its affiliates

Our general partner and its affiliates do not receive any management fee or other compensation for the management of our business and affairs, but they are reimbursed for all expenses that they incur on our behalf, including general and administrative expenses and corporate overhead. As the sole purpose of the general partner is to act as our general partner, substantially all of the expenses of our general partner are incurred on our behalf and reimbursed by us or our subsidiaries. Our general partner determines the expenses that are allocable to us in good faith.

Withdrawal or removal of our general partner

If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests.

Liquidation

Upon our liquidation, the unitholders and our general partner will be entitled to receive liquidating distributions according to their respective capital account balances.

OWNERSHIP INTERESTS IN OUR GENERAL PARTNER

Our general partner owns our general partner interest and our incentive distribution rights. Effective May 21, 2014, as a result of the Reorganization (i) Mr. Hellman, as Trustee of the Trust, for the pecuniary benefit of ACII, has exclusive voting and investment power over approximately 67.03% of membership interests in StoneMor GP Holdings LLC, a Delaware limited liability company (“GP Holdings”), formerly known as CFSI, (ii) Lawrence Miller, the President and Chief Executive Officer and a director of StoneMor GP (11.88%, inclusive of family partnership holdings), William Shane (9.37%, inclusive of family partnership holdings), Allen Freedman (0.18%), and Martin Lautman (0.73%), directors of StoneMor GP, Michael Stache and Robert Stache, retired executive officers of StoneMor GP, collectively hold approximately 32.97% of membership interests in GP Holdings; and (iii) StoneMor GP has become a wholly-owned subsidiary of GP Holdings.

RELATIONSHIP WITH ACII

On May 21, 2014, the Partnership sold to ACII, 2,255,947 common units (the “Common Units”) representing limited partner interests in the Partnership (the “ACII Units”) at an aggregate purchase price of \$55.0 million pursuant to a Common Unit Purchase Agreement (the “Common Unit Purchase Agreement”), dated May 19, 2014, by and between the Partnership and ACII. In connection with the consummation of this private placement transaction, on May 21, 2014, the Partnership and ACII also entered into a Registration Rights Agreement (the “Registration Rights Agreement”) providing ACII with certain registration rights as described below.

Pursuant to the Common Unit Purchase Agreement, commencing with the quarter ending June 30 2014, ACII is entitled to receive distributions equal to those paid on the Common Units generally. Through the quarter ending June 30, 2018, such distributions may be paid in cash, Common Units issued to ACII in lieu of cash distributions (the “PIK Units”), or a combination of cash and PIK Units, as determined by the Partnership in its sole discretion. If the Partnership elects to pay distributions through the issuance of PIK Units, the number of Common Units to be issued in connection with a quarterly distribution will be the quotient of (A) the amount of the quarterly distribution paid on the Common Units by (B) the volume-weighted average price of the Common Units for the thirty (30) trading days immediately preceding the date a quarterly distribution is declared with respect to the Common Units. Beginning with the quarterly distribution payable with respect to the quarter ending September 30, 2018, the ACII Units will receive cash distributions on the same basis as all other Common Units and the Partnership will no longer have the ability to elect to pay quarterly distributions in kind through the issuance of PIK Units. The Partnership issued 204,804 PIK Units to ACII in lieu of cash distributions of \$5.8 million during 2015.

Under the Common Unit Purchase Agreement, the ACII Units are also subject to a lock up period (the “Lock-Up Period”) ending on July 1, 2018. During the Lock-Up Period, ACII may not directly or indirectly (a) offer for sale, sell, pledge or otherwise dispose of the ACII Units, (b) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of the ACII Units, or (c) publicly disclose the intention to do any of the foregoing. However, ACII may transfer the ACII Units to any affiliate or any investment fund or other entity controlled or managed by ACII who agrees to be bound by the terms of the Common Unit Purchase Agreement. PIK Units are not subject to the Lock-Up Period. The Common Unit Purchase Agreement also includes various representations, warranties, covenants, indemnification and other provisions, which are customary for a transaction of this nature.

Pursuant to the Registration Rights Agreement, the Partnership was required to file a shelf registration statement (the “PIK Unit Registration Statement”) with the Securities and Exchange Commission (the “SEC”) on or prior to June 5, 2014 to register the offer and sale by ACII of a good faith estimate of the total number of PIK Units that may be issued to ACII under the Common Unit Purchase Agreement, and use its commercially reasonable efforts to cause the PIK Unit Registration Statement to be declared effective as soon as practicable thereafter. The registration statement was declared effective on June 25, 2014. After July 1, 2018, ACII shall

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have the right to require the Partnership to prepare and file with the SEC a shelf registration statement (a “Demand Registration Statement”) to register the offer and sale of (a) the ACII Units purchased by ACII pursuant to the Common Unit Purchase Agreement or (b) PIK Units issued to ACII pursuant to the Common Unit Purchase Agreement but not included in the PIK Unit Registration Statement.

The Registration Rights Agreement also includes piggy-back registration rights as well as indemnification and other provisions, which are customary for a transaction of this nature.

ACII is an affiliate of American Infrastructure Funds, L.L.C., an investment adviser registered with SEC. Mr. Hellman, a director of our general partner, is a managing member of American Infrastructure Funds, L.L.C. and he is affiliated with entities that own membership interests in ACII and the entity that is the manager of ACII. Mr. Hellman is also the sole Trustee (the “Trustee”) under a Trust (the “Trust”) established pursuant to a Voting and Investment Trust Agreement by and between ACII and Mr. Hellman, as Trustee, dated as of May 9, 2014, for the benefit of ACII. Mr. Contos, a director of our general partner, is a Principal of American Infrastructure Funds, L.L.C.

Messrs. Hellman and Contos elected to have all compensation pertaining to their services rendered on the Board of Directors, to be paid directly to ACII.

AGREEMENTS GOVERNING THE PARTNERSHIP

We, our general partner, our operating company and other parties have entered into various documents and agreements that effected the initial public offering transactions, including the vesting of assets in, and the assumption of liabilities by, us and our subsidiaries. These agreements are not the result of arm’s-length negotiations, and we cannot assure you that they, or any of the transactions that they provide for, have been effected on terms at least as favorable to the parties to these agreements as could have been obtained from unaffiliated third parties. All of the transaction expenses incurred in connection with these transactions, including the expenses associated with transferring assets into our subsidiaries, have been paid from the proceeds of the initial public offering.

OMNIBUS AGREEMENT

On September 20, 2004, we entered into an omnibus agreement with McCown De Leeuw, a private equity investment firm and a founder of Cornerstone, CFS, CFSI, our general partner and StoneMor Operating LLC.

Under the omnibus agreement, as long as our general partner is an affiliate of McCown De Leeuw, McCown De Leeuw will agree, and will cause its controlled affiliates to agree, not to engage, either directly or indirectly, in the business of owning and operating cemeteries and funeral homes (including the sales of cemetery and funeral home products and services) in the United States. On November 30, 2010, MDC IV Liquidating Trusts became successors to McCown De Leeuw, and McCown De Leeuw was subsequently terminated. The MDC IV Liquidating Trusts assumed and agreed to be bound by and perform all of the obligations and duties of McCown De Leeuw under the omnibus agreement.

CFSI had agreed to indemnify us for all federal, state and local income tax liabilities attributable to the operation of the assets contributed by CFSI to us prior to the 2004 closing of the public offering. CFSI had also agreed to indemnify us against additional income tax liabilities, if any, that arise from the consummation of the 2004 transactions related to our formation in excess of those believed to result at the time of the 2004 closing of our initial public offering. We had estimated that \$600,000 of state income taxes and no federal income taxes would be due as a result of these formation transactions. CFSI had also agreed to indemnify us against the increase in income tax liabilities of our corporate subsidiaries resulting from any reduction or elimination of our net operating losses to the extent those net operating losses are used to offset any income tax gain or income resulting from the prior operation of the assets of CFSI contributed to us in 2004, or from our formation transactions in excess of such gain or income believed to result at the time of the 2004 closing of the initial public offering. Until all of its indemnification obligations under the omnibus agreement had been satisfied in full, CFSI was subject to limitations on its ability to dispose of or encumber its interest in our general partner or the common units held by it (except upon a redemption of common units by the partnership upon any exercise of

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the underwriters' over-allotment option) and would also be prohibited from incurring any indebtedness or other liability. An amendment to the omnibus agreement dated January 24, 2011 was entered into by all parties to the omnibus agreement (and after due consideration approved by our Conflicts Committee, which retained independent counsel; the committee was chaired by Mr. Carver). An accompanying certification by our general partner established that as of the date of the amendment, CFSI's indemnification obligations under the omnibus agreement were discharged and CFSI was no longer subject to the limitations and prohibition described above in this paragraph. Those indemnification obligations pertain to the taxable year 2004 of CFSI. To our knowledge, there has been no inquiry from or instigation of proceedings by any taxing authority, which could reasonably be expected to require indemnification under the omnibus agreement. We believe the expiration has occurred of all applicable statutes of limitations (including any extensions thereof) relating to the filing of all tax returns, which could reasonably be expected to require indemnification under the omnibus agreement, except if there, were certain omissions of gross income of more than 25% or fraud. Our general partner has certified to its knowledge there was no such omission or fraud. CFSI is also subject to certain limitations on its ability to transfer its interest in our general partner or the common units held by it if the effect of the proposed transfer would trigger an "ownership change" under the Internal Revenue Code that would limit our ability to use our federal net operating loss carryovers. Please read "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Income Taxes."

The omnibus agreement may not be further amended without the prior approval of the Conflicts Committee if our general partner determines that the proposed amendment will adversely affect holders of our common units. Any further action, notice, consent, approval or waiver permitted or required to be taken or given by us under the indemnification provisions of the omnibus agreement as amended must be taken or given by the Conflicts Committee of our general partner.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees paid or accrued for professional services rendered by Deloitte & Touche LLP for the audit of our annual financial statements for fiscal years 2015 and 2014 and the aggregate fees paid or accrued for audit-related services and all other services rendered by Deloitte & Touche LLP for fiscal years 2015 and 2014.

	Years Ended December 31,	
	2015	2014
Audit fees	\$ 2,557,651	\$ 3,077,466
Audit-related fees	25,265	8,613
Tax fees	559,268	775,040
	<u>\$ 3,142,184</u>	<u>\$ 3,861,119</u>

The category of "Audit fees" includes fees for our annual audit, quarterly reviews and services rendered in connection with regulatory filings with the SEC, such as the issuance of comfort letters and consents. The decrease in fees in 2015 was primarily the result of increased costs associated with the audit of significant acquisitions and transactions that occurred during the prior period.

The category of "Audit-related fees" includes fees for services related to employee benefit plan audits and accounting consultation.

The category of "Tax fees" includes fees for the consultation and preparation of federal, state, and local tax returns.

All above audit services, audit-related services and tax services were pre-approved by the Audit Committee, which concluded that the provision of such services by Deloitte & Touche LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee's outside auditor independence policy provides for pre-approval of all services performed by the outside auditors.

Part IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

(1) The following financial statements of StoneMor Partners L.P. are included in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2015 and 2014

Consolidated Statement of Operations for the years ended December 31, 2015, 2014 and 2013

Consolidated Statement of Partners' Capital for the years ended December 31, 2015, 2014 and 2013

Consolidated Statement of Cash Flows for the years ended December 31, 2015, 2014, and 2013

Notes to the Consolidated Financial Statements

(2) Other schedules have not been included either because they are not applicable or because the information is included elsewhere in this Form 10-K.

(c) Exhibits are listed in the Exhibit Index, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

STONEMOR PARTNERS L.P.

By: StoneMor GP LLC, its General Partner

February 29, 2016

By: /s/ Lawrence Miller
Lawrence Miller
Chief Executive Officer, President and
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Lawrence Miller</u> Lawrence Miller (Principal Executive Officer)	Chief Executive Officer, President and Chairman of the Board	February 29, 2016
<u>/s/ Sean P. McGrath</u> Sean P. McGrath (Principal Financial and Accounting Officer)	Chief Financial Officer and Secretary	February 29, 2016
<u>/s/ William R. Shane</u> William R. Shane	Director	February 29, 2016
<u>/s/ Howard L. Carver</u> Howard L. Carver	Director	February 29, 2016
<u>/s/ Jonathan A. Contos</u> Jonathan A. Contos	Director	February 29, 2016
<u>/s/ Allen R. Freedman</u> Allen R. Freedman	Director	February 29, 2016
<u>/s/ Robert B. Hellman, Jr.</u> Robert B. Hellman, Jr.	Director	February 29, 2016
<u>/s/ Martin R. Lautman, Ph.D.</u> Martin R. Lautman, Ph.D.	Director	February 29, 2016
<u>/s/ Leo J. Pound</u> Leo J. Pound	Director	February 29, 2016
<u>/s/ Fenton R. Talbott</u> Fenton R. Talbott	Director	February 29, 2016

Exhibit Index

Exhibit Number	Description
3.1*	Certificate of Limited Partnership of StoneMor Partners L.P. (incorporated by reference to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 9, 2004 (Exhibit 3.1)).
3.2*	Second Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P. dated as of September 9, 2008 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed on September 15, 2008).
4.1.1*	Indenture, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.1.2*	Form of 10.25% Senior Note due 2017 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.1.3*	Registration Rights Agreement, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the Initial Guarantors party thereto and Banc of America Securities LLC (incorporated by reference to Exhibit 4.3 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.1.4*	Seventh Supplemental Indenture, dated as of May 24, 2013, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Wilmington Trust, National Association, as trustee to Indenture, dated as of November 24, 2009 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on May 28, 2013).
4.2.1*	Indenture, dated as of May 28, 2013, by and among StoneMor Partners L.P., Cornerstone Family Services of West Virginia Subsidiary, Inc., the guarantors named therein and Wilmington Trust, National Association, including Form of 7 7/8% Senior Note due 2021 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on May 28, 2013).
4.2.2*	Registration Rights Agreement, dated as of May 28, 2013, by and among StoneMor Partners L.P., Cornerstone Family Services of West Virginia Subsidiary, Inc., the Initial Guarantors party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the initial purchasers listed on Schedule A to the Purchase Agreement (incorporated by reference to Exhibit 4.4 of Registrant's Current Report on Form 8-K filed on May 28, 2013).
4.2.3*	Supplemental Indenture No. 1, dated as of August 8, 2014, by and among Kirk & Nice, Inc., Kirk & Nice Suburban Chapel, Inc., StoneMor Operating LLC, and Osiris Holding of Maryland Subsidiary, Inc., subsidiaries of StoneMor Partners L.P. (or its successor), and Cornerstone Family Services of West Virginia Subsidiary, Inc., the Guarantors under the Indenture, dated as of May 28, 2013, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
4.3*	Registration Rights Agreement, dated as of May 21, 2014, by and between StoneMor Partners L.P. and American Cemeteries Infrastructure Investors, LLC (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on May 23, 2014).

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Exhibit Number	Description
10.1.1*	Second Amended and Restated Credit Agreement, dated April 29, 2011, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 5, 2011).
10.1.2*	First Amendment to Second Amended and Restated Credit Agreement, dated August 4, 2011, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).
10.1.3*	Second Amendment to Second Amended and Restated Credit Agreement, dated October 28, 2011, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 3, 2011).
10.1.4*	Third Amended and Restated Credit Agreement, dated January 19, 2012, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on January 24, 2012).
10.1.5*	First Amendment to Third Amended and Restated Credit Agreement, dated February 19, 2013, by and among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on February 22, 2013).
10.1.6*	Second Amendment to Third Amended and Restated Credit Agreement, as amended, dated May 8, 2013, by and among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 13, 2013).
10.1.7*	Third Amendment to Third Amended and Restated Credit Agreement and Security Documents, dated June 18, 2013, by and among StoneMor Operating LLC, its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 21, 2013).
10.1.8*	Fourth Amendment to Third Amended and Restated Credit Agreement, dated May 22, 2014, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, its Subsidiaries, the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 23, 2014).
10.1.9*	Joinder to Amended and Restated Credit Agreement, dated June 10 2014, by and among Kirk & Nice, Inc., Kirk & Nice Suburban Chapel, Inc. and the other Credit Parties named therein in favor of the Lenders and Bank of America, N.A. as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Secured Parties, as Swing Line Lender and as L/C Issuer (incorporated by reference to Exhibit 10.4 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).

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Exhibit Number	Description
10.1.10*	Fourth Amended and Restated Credit Agreement, dated December 19, 2014, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 23, 2014).
10.1.11*	First Amendment to Fourth Amended and Restated Credit Agreement, dated July 10, 2015, by and among StoneMor Operating LLC, its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015).
10.1.12	Second Amendment to Fourth Amended and Restated Credit Agreement, dated November 12, 2015, by and among StoneMor Operating LLC, its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.
10.2*	Confirmation and Amendment Agreement, dated January 19, 2012, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P. and Bank of America, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on January 24, 2012).
10.3*	Amended and Restated Security Agreement, dated April 29, 2011, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Debtors listed therein and Bank of America, N.A. as Collateral Agent (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 5, 2011).
10.3.1*	Second Amended and Restated Security Agreement, dated December 19, 2014, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Debtors listed therein and Bank of America, N.A. as Collateral Agent (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 23, 2014).
10.4*	Amended and Restated Pledge Agreement, dated April 29, 2011, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Pledgors listed therein and Bank of America, N.A. as administrative and collateral agent (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on May 5, 2011).
10.4.1*	Second Amended and Restated Pledge Agreement, December 19, 2014, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Pledgors listed therein and Bank of America, N.A. as administrative and collateral agent (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on December 23, 2014).
10.5*	Purchase Agreement, dated November 18, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Banc of America Securities LLC, acting on behalf of itself and as the representative for the purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.6*	Purchase Agreement, dated May 16, 2013, by and among StoneMor Partners L.P., Cornerstone Family Services of West Virginia Subsidiary, Inc., the subsidiary guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting on behalf of itself and as the representative for the initial purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 17, 2013).

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Exhibit Number	Description
10.7.1**†	StoneMor Partners L.P. Long-Term Incentive Plan, as amended April 19, 2010 (incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement filed on June 4, 2010).
10.7.1.1**†	StoneMor Partners L.P. 2014 Long-Term Incentive Plan (incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement filed on October 9, 2014).
10.7.2**†	Form of the Director Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.7.3**†	Form of the Key Employee Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.7.4**†	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 27, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 1, 2006).
10.7.5**†	Director Restricted Phantom Unit Agreement by and between StoneMor GP LLC and Robert Hellman dated June 23, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 23, 2009).
10.7.6**†	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
10.7.7**†	Form of the Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
10.7.8**†	Director Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.8 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).
10.7.9**†	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of April 2, 2012 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
10.7.10**†	Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 7, 2012 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 13, 2012).
10.7.11**†	Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of October 22, 2013 (incorporated by reference to Exhibit 10.7.11 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).
10.7.12**†	Form of Director Restricted Phantom Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of November 11, 2014 (incorporated by reference to Exhibit 10.7.12 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2014).
10.7.13†	Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of December 31, 2015 by and between StoneMor GP LLC and Lawrence Miller.
10.7.14†	Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of December 31, 2015 by and between StoneMor GP LLC and Sean P. McGrath.
10.7.15†	Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of December 31, 2015 by and between StoneMor GP LLC and David L. Meyers.

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Exhibit Number	Description
10.8.1*†	Employment Agreement by and between StoneMor GP LLC and Lawrence Miller, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.8.2*†	Addendum to Employment Agreement between StoneMor GP LLC and Lawrence Miller, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.8.3*†	Amended and Restated Employment Agreement, executed July 22, 2013 and retroactive to January 1, 2013, by and between StoneMor GP, LLC and Lawrence Miller (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 26, 2013).
10.9.1*†	Employment Agreement by and between StoneMor GP LLC and William R. Shane, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.9.2*†	Addendum to Employment Agreement between StoneMor GP LLC and William R. Shane, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.9.3*†	Employment Agreement, effective April 1, 2012, by and between StoneMor GP LLC and William Shane (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on April 2, 2012).
10.10.1*†	Letter Agreement by and between David Meyers and StoneMor GP LLC (incorporated by reference to Exhibit 10.13.1 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).
10.10.2*†	Confidentiality and Non-Compete Agreement by and between David Meyers and StoneMor GP LLC (incorporated by reference to Exhibit 10.13.2 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).
10.10.3*†	Payback Agreement by and between David Meyers and StoneMor GP LLC (incorporated by reference to Exhibit 10.13.3 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).
10.11.1*†	Form of Indemnification Agreement by and between StoneMor GP LLC and Lawrence Miller, Robert B. Hellman, Jr., Fenton R. Talbott, Martin R. Lautman, William Shane, Allen R. Freedman, effective September 20, 2004 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.11.2*†	Form of Indemnification Agreement by and between StoneMor GP LLC and Howard Carver and Peter Grunebaum, effective February 16, 2007 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.11.3*†	Form of Indemnification Agreement by and between StoneMor GP LLC and Leo J. Pound and Jonathan Contos, dated February 26, 2015 (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.12*†	General Release of Claims between Timothy K. Yost and StoneMor GP LLC, the general partner of StoneMor Partners L.P., dated May 18, 2015 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015).
10.13.1*†	Letter Agreement by and between Sean P. McGrath and StoneMor GP LLC (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).

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Exhibit Number	Description
10.13.2*†	Confidentiality and Non-Compete Agreement by and between Sean P. McGrath and StoneMor GP LLC (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).
10.14*	Settlement Agreement by and among StoneMor Indiana LLC, StoneMor Operating LLC, StoneMor Partners L.P., Chapel Hill Associates, Inc., Chapel Hill Funeral Home, Inc., Covington Memorial Funeral Home, Inc., Covington Memorial Gardens, Inc., Forest Lawn Memorial Chapel Inc., Forest Lawn Memory Gardens Inc., Fred W. Meyer, Jr. by James R. Meyer as Special Administrator to the Estate of Fred W. Meyer, Jr., James R. Meyer, Thomas E. Meyer, Nancy Cade, and F.T.J. Meyer Associates, LLC dated June 21, 2010 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on June 25, 2010).
10.15.1*	Omnibus Agreement by and among McCown De Leeuw & Co. IV, L.P., McCown De Leeuw & Co. IV Associates, L.P., MDC Management Company IV, LLC, Delta Fund LLC, Cornerstone Family Services LLC, CFSI LLC, StoneMor Partners L.P., StoneMor GP LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.4 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.15.2*	Amendment No. 1 to Omnibus Agreement entered into on, and effective as of, January 24, 2011 by and among MDC IV Trust U/T/A November 30, 2010, MDC IV Associates Trust U/T/A November 30, 2010, Delta Trust U/T/A November 30, 2010 (successors respectively to McCown De Leeuw & Co. IV, L.P., a California limited partnership, McCown De Leeuw IV Associates, L.P., a California limited partnership, Delta Fund LLC, a California limited liability company, and MDC Management Company IV, LLC, a California limited liability company), Cornerstone Family Services LLC, a Delaware limited liability company, CFSI LLC, a Delaware limited liability company, StoneMor Partners L.P., a Delaware limited partnership, StoneMor GP LLC, a Delaware limited liability company, for itself and on behalf of the Partnership in its capacity as general partner of the Partnership, and StoneMor Operating LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on January 28, 2011).
10.16*	Contribution, Conveyance and Assumption Agreement by and among StoneMor Partners L.P., StoneMor GP LLC, CFSI LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.17.1*	Lease Agreement, dated as of September 26, 2013, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC and StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P., solely in its capacity as guarantor (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 2, 2013).
10.17.2*	Amendment No. 1 to Lease Agreement, dated as of March 20, 2014, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC and StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P., solely in its capacity as guarantor (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 26, 2014).
10.17.3*	Amendment No. 2 to Lease Agreement, dated as of May 28, 2014, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P. (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).

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Exhibit Number	Description
10.18.1*	Asset Sale Agreement dated April 2, 2014, by and among StoneMor Operating LLC, StoneMor Florida LLC, StoneMor Florida Subsidiary LLC, StoneMor North Carolina LLC, StoneMor North Carolina Subsidiary LLC, StoneMor North Carolina Funeral Services, Inc., Loewen [Virginia] LLC, Loewen [Virginia] Subsidiary, Inc., Rose Lawn Cemeteries LLC, Rose Lawn Cemeteries Subsidiary, Incorporated, StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, CMS West Subsidiary LLC, S.E. Funeral Homes of Florida, LLC, S.E. Cemeteries of Florida, LLC, S.E. Combined Services of Florida, LLC, S.E. Cemeteries of North Carolina, Inc., S.E. Funeral Homes of North Carolina, Inc., Montlawn Memorial Park, Inc., S.E. Cemeteries of Virginia, LLC, SCI Virginia Funeral Services, Inc., George Washington Memorial Park, Inc., Sunset Memorial Park Company and S.E. Mid- Atlantic Inc. (incorporated by reference to Exhibit 2.1 of Registrant's Current Report on Form 8-K filed on April 8, 2014).
10.18.2*	Asset Sale Agreement dated April 2, 2014, by and among StoneMor Operating LLC, StoneMor North Carolina LLC, StoneMor North Carolina Subsidiary LLC, Laurel Hill Memorial Park LLC, Laurel Hill Memorial Park Subsidiary, Inc., StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, S.E. Cemeteries of North Carolina, Inc., Clinch Valley Memorial Cemetery, Inc., and S.E. Acquisition of Pennsylvania, Inc. (incorporated by reference to Exhibit 2.2 of Registrant's Current Report on Form 8-K filed on April 8, 2014).
10.19*	Common Unit Purchase Agreement, dated as of May 19, 2014, by and between StoneMor Partners L.P. and American Cemeteries Infrastructure Investors, LLC (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 23, 2014).
21.1	Subsidiaries of Registrant.
23.1	Consent of Deloitte & Touche LLP.
31.1	Certification pursuant to Exchange Act Rule 13a-14(a) of Lawrence Miller, Chief Executive Officer President and Chairman of the Board of Directors.
31.2	Certification pursuant to Exchange Act Rule 13a-14(a) of Sean P. McGrath, Chief Financial Officer.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of Directors (furnished herewith).
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Sean P. McGrath, Chief Financial Officer (furnished herewith).
99.1*	Second Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of May 21, 2014, entered into by StoneMor GP Holdings, LLC (incorporated by reference to Exhibit 99.1 of Registrant's Current Report on Form 8-K filed on May 23, 2014).
99.2	Amendment No. 1, dated as of November 17, 2015, to the Second Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of May 21, 2014, entered into by StoneMor GP Holdings, LLC.
101	Attached as Exhibit 101 to this report are the following Interactive Data Files formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2015 and December 31, 2014; (ii) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013; (iii) Consolidated Statement of Partners' Capital; (iv) Consolidated Statement of Cash Flows for the years ended December 31, 2015, 2014 and 2013; and (v) Notes to the Consolidated Financial Statements. Users of this data are advised pursuant to Rule 401 of Regulation S-T that the information contained in the XBRL documents is unaudited and these are not the official publicly filed financial statements of StoneMor Partners L.P.

* Incorporated by reference, as indicated

† Management contract, compensatory plan or arrangement

**SECOND AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT
AGREEMENT**

This SECOND AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT (this “Second Amendment”) dated November 12, 2015, is by and among StoneMor GP LLC, a Delaware limited liability company (the “General Partner”), StoneMor Partners L.P., a Delaware limited partnership (the “Partnership”), StoneMor Operating LLC, a Delaware limited liability company (the “Operating Company”), the Subsidiaries of the Operating Company set forth on the signature pages hereto (together with the Operating Company, each individually a “Borrower” and collectively, the “Borrowers” and together with the General Partner and the Partnership, each individually a “Credit Party” and collectively, the “Credit Parties”), the Lenders party hereto, and Bank of America, N.A., a national banking association, as Administrative Agent for the benefit of the Lenders (in such capacity, the “Administrative Agent”), and as Swing Line Lender and L/C Issuer.

BACKGROUND

A. Pursuant to that certain Fourth Amended and Restated Credit Agreement, entered into on December 19, 2014, by and among the Credit Parties, the lenders party thereto (the “Lenders”) and the Administrative Agent, as amended by that certain First Amendment to Fourth Amended and Restated Credit Agreement, entered into on July 10, 2015, by and among the Credit Parties, the Lenders and the Administrative Agent (the “Credit Agreement”), the Lenders agreed, *inter alia*, to extend to the Borrowers a revolving credit facility in the maximum aggregate principal amount of One Hundred Eighty Million Dollars (\$180,000,000). Capitalized terms used, but not otherwise defined, herein shall have the meanings given to them in the Credit Agreement.

B. The Borrowers have requested that the Lenders amend the Credit Agreement to eliminate the aggregate principal amount limitation on the issuance of High Yield Notes.

C. The Lenders party hereto are willing to agree to such amendment on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, at the request of the Credit Parties, and based on the representations set forth below, the Lenders hereto agree as follows:

1. Amendment to Section 1.01. The following term set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“Future High Yield Notes” means any senior unsecured notes issued after the Closing Date, from time to time, pursuant to, and in accordance with a High Yield Note Indenture, meeting each of the following requirements: (a) [Intentionally Omitted]; (b) the terms of such notes are substantially similar in all material respects to, or are more favorable to the Credit Parties than, the High Yield Notes then outstanding (provided that (i) the scheduled maturity date for any principal payment under such notes shall not be prior

to June 1, 2021 and (ii) the interest rate payable on such notes shall be a market rate for the issuance of such notes at the time issued); (c) no Default or Event of Default has occurred and is continuing or would result from the issuance of such notes; and (d) the Borrowers shall have delivered to the Administrative Agent, not less than ten (10) Business Days prior to the date of the issuance of such notes (or such shorter period as the Administrative Agent may agree to in writing), a pro forma Compliance Certificate showing compliance, on a Pro Forma Basis (for the related Calculation Period), with the covenants set forth in Section 7.11 immediately after giving effect to the issuance of such notes.

2. Amendment to Section 7.02(m). Subparagraph (m) of Section 7.02 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(m) Indebtedness evidenced by High Yield Notes.

3. Representations and Warranties .

(a) Each Credit Party hereby represents and warrants to the Administrative Agent and the Lenders that, as to such Credit Party:

(i) Representations . Each of the representations and warranties of or as to such Credit Party contained in the Credit Agreement and the other Credit Documents are true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof, except to the extent such representation or warranty was made as of a specific date;

(ii) Power and Authority . (A) Such Credit Party has the power and authority under the laws of its jurisdiction of organization and under its organizational documents to enter into and perform this Second Amendment and any other documents which the Administrative Agent requires such Credit Party to deliver hereunder; and (B) all actions, corporate or otherwise, necessary or appropriate for the due execution and full performance by such Credit Party of the Second Amendment have been adopted and taken and, upon their execution, the Credit Agreement, as amended by this Second Amendment will constitute the valid and binding obligations of such Credit Party enforceable in accordance with their respective terms, except as such enforcement may be limited by any Debtor Relief Law from time to time in effect which affect the enforcement of creditors rights in general and the availability of equitable remedies;

(iii) No Violation . The making and performance of this Second Amendment will not (A) contravene, conflict with or result in a breach or default under any applicable law, statute, rule or regulation, or any order, writ, injunction, judgment, ruling or decree of any court, arbitrator or governmental instrumentality, (B) contravene, constitute a default under, conflict or be inconsistent with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of any Credit Party pursuant to the terms of any indenture, mortgage, deed of trust, loan

agreement, credit agreement or any other agreement or instrument to which any Credit Party is a party or by which it or any of its property or assets are bound or to which it may be subject or (C) contravene or violate any provision of the certificate of incorporation, by-laws, certificate of partnership, partnership agreement, certificate of limited liability company, limited liability company agreement or equivalent organizational document, as the case may be, any Credit Party;

(iv) No Default. Immediately after giving effect to this Second Amendment, no Default or Event of Default has occurred and is continuing;

(v) No Material Adverse Effect. No Material Adverse Effect has occurred since December 31, 2014; and

(vi) Organizational Documents. There have been no changes in the organizational documents of the Credit Parties since December 19, 2014 (or such later date as any such organizational documents were initially adopted), except as previously disclosed to the Administrative Agent in writing, certified copies of which have been previously provided to the Lenders.

4. No Waiver of Existing Defaults. To induce the Lenders to enter into this Second Amendment, the Credit Parties acknowledge, agree, warrant, and represent that nothing in this Second Amendment nor any communication between any Secured Party, any Credit Party or any of their respective officers, agents, employees or representatives shall be deemed to constitute a waiver of (i) any Default or Event of Default arising as a result of the representations and warranties set forth in Section 3 proving to be false or incorrect in any material respect, or (ii) any rights or remedies which any Secured Party has against any Credit Party under the Credit Agreement or any other Credit Document and/or applicable law, with respect to any such Default or Event of Default arising as a result of the representations and warranties set forth in Section 3 proving to be false or incorrect in any material respect.

5. Waiver of Claims. The Credit Parties hereby waive any and all defenses, set offs and counterclaims which they, whether jointly or severally, may have or claim to have against each of the Secured Parties as of the date hereof.

6. Conditions to Effectiveness of Amendment.

(a) This Second Amendment shall be effective upon the Administrative Agent's receipt of the following, each in form and substance reasonably satisfactory to the Administrative Agent (the "Second Amendment Effective Date"):

(i) Second Amendment. This Second Amendment, duly executed by the Credit Parties and Lenders constituting Required Lenders;

(ii) Other Fees and Expenses. Payment to the Administrative Agent, in immediately available funds, of all amounts necessary to reimburse the Administrative Agent for the reasonable fees and costs incurred by the Administrative Agent in connection with the preparation and execution of this Second Amendment and any other document provided for herein, including, without limitation, all fees and costs incurred by the Administrative Agent's attorneys;

(iii) Consent and Waivers. Copies of any consents or waivers necessary in order for the Credit Parties to comply with or perform any of its covenants, agreements or obligations contained in any agreement which are required as a result of any Credit Party's execution of this Second Amendment, if any; and

(iv) Other Documents and Actions. Such additional agreements, instruments, documents, writings and actions as the Administrative Agent may reasonably request.

7. No Waiver; Ratification. The execution, delivery and performance of this Second Amendment shall not (a) operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement or any other Credit Document and the agreements and documents executed in connection therewith or (b) constitute a waiver of any provision thereof. Except as expressly modified hereby, all terms, conditions and provisions of the Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed by each of the Credit Parties. Nothing contained herein constitutes an agreement or obligation by the Administrative Agent or the Lenders to grant any further consent under the Credit Agreement or any of the other Credit Documents.

8. Binding Effect. This Second Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

9. Governing Law. This Second Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to the choice of law doctrine of the Commonwealth of Pennsylvania.

10. Headings. The headings of the sections of this Second Amendment are inserted for convenience only and shall not be deemed to constitute a part of this Second Amendment.

11. Counterparts. This Second Amendment may be executed in any number of counterparts with the same effect as if all of the signatures on such counterparts appeared on one document and each counterpart shall be deemed an original. Delivery of an executed counterpart of a signature page of this Second Amendment by telecopy or by electronic means shall be effective as delivery of a manually executed counterpart of this Second Amendment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK, SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto, by their respective duly authorized officers, have executed this Second Amendment to Fourth Amended and Restated Credit Agreement as of the date first above written.

General Partner:

STONEMOR GP LLC

By: /s/ Frank Milles

Name: Frank Milles

Title: Vice President

Partnership:

STONEMOR PARTNERS L.P.

By: STONEMOR GP LLC
its General Partner

By: /s/ Frank Milles

Name: Frank Milles

Title: Vice President

Operating Company:

STONEMOR OPERATING LLC

By: /s/ Frank Milles

Name: Frank Milles

Title: Vice President

Additional Credit Parties

Alleghany Memorial Park Subsidiary, Inc.
Altavista Memorial Park Subsidiary, Inc.
Arlington Development Company
Augusta Memorial Park Perpetual Care Company
Birchlawn Burial Park Subsidiary, Inc.
Bronswood Cemetery, Inc.
Cedar Hill Funeral Home, Inc.
Cemetery Investments Subsidiary, Inc.
Chapel Hill Associates, Inc.
Chapel Hill Funeral Home, Inc.
Columbia Memorial Park Subsidiary, Inc.
Cornerstone Family Insurance Services, Inc.
Cornerstone Family Services of New Jersey, Inc.
Cornerstone Family Services of West Virginia Subsidiary, Inc.
Covenant Acquisition Subsidiary, Inc.
Covington Memorial Funeral Home, Inc.
Covington Memorial Gardens, Inc.
Crown Hill Cemetery Association
Eloise B. Kyper Funeral Home, Inc.
Forest Lawn Gardens, Inc.
Forest Lawn Memorial Chapel, Inc.
Forest Lawn Memory Gardens, Inc.
Glen Haven Memorial Park Subsidiary, Inc.
Henry Memorial Park Subsidiary, Inc.
Highland Memorial Park, Inc.
Hillside Memorial Park Association, Inc.
Kingwood Memorial Park Association
KIRIS Subsidiary, Inc.
Kirk & Nice, Inc.
Kirk & Nice Suburban Chapel, Inc.
Lakewood/Hamilton Cemetery Subsidiary, Inc.
Lakewood Memory Gardens South Subsidiary, Inc.
Laurel Hill Memorial Park Subsidiary, Inc.
Laurelwood Holding Company
Legacy Estates, Inc.
Loewen [Virginia] Subsidiary, Inc.
Lorraine Park Cemetery Subsidiary, Inc.

By: /s/ Frank Milles

Frank Milles, as Vice President of each of the above-named Credit Parties

Modern Park Development Subsidiary, Inc.
Northlawn Memorial Gardens
Oak Hill Cemetery Subsidiary, Inc.
Ohio Cemetery Holdings, Inc.
Osiris Holding Finance Company
Osiris Holding of Maryland Subsidiary, Inc.
Osiris Holding of Rhode Island Subsidiary, Inc.
Osiris Management, Inc.
Osiris Telemarketing Corp.
Perpetual Gardens.Com, Inc.
Prince George Cemetery Corporation
PVD Acquisitions Subsidiary, Inc.
Rockbridge Memorial Gardens Subsidiary Company
Rose Lawn Cemeteries Subsidiary, Incorporated
Roselawn Development Subsidiary Corporation
Russell Memorial Cemetery Subsidiary, Inc.
Shenandoah Memorial Park Subsidiary, Inc.
Sierra View Memorial Park
Southern Memorial Sales Subsidiary, Inc.
Springhill Memory Gardens Subsidiary, Inc.
Star City Memorial Sales Subsidiary, Inc.
Stephen R. Haky Funeral Home, Inc.
Stitham Subsidiary, Incorporated
StoneMor Alabama Subsidiary, Inc.
StoneMor California, Inc.
StoneMor California Subsidiary, Inc.
StoneMor Georgia Subsidiary, Inc.
StoneMor Hawaii Subsidiary, Inc.
StoneMor North Carolina Funeral Services, Inc.
StoneMor Ohio Subsidiary, Inc.
StoneMor Puerto Rico Cemetery And Funeral, Inc.
StoneMor Tennessee Subsidiary, Inc.
StoneMor Washington, Inc.
Sunset Memorial Gardens Subsidiary, Inc.
Sunset Memorial Park Subsidiary, Inc.
Temple Hill Subsidiary Corporation
The Valhalla Cemetery Subsidiary Corporation
Virginia Memorial Service Subsidiary Corporation
W N C Subsidiary, Inc.
Wicomico Memorial Parks Subsidiary, Inc.
Willowbrook Management Corp.

By: /s/ Frank Milles

Frank Milles, as Vice President of each of the above-named Credit Parties

Alleghany Memorial Park LLC
Altavista Memorial Park LLC
Birchlawn Burial Park LLC
Cemetery Investments LLC
Cemetery Management Services, L.L.C.
Cemetery Management Services of Ohio, L.L.C.
CMS West LLC
CMS West Subsidiary LLC
Columbia Memorial Park LLC
Cornerstone Family Services of West Virginia LLC
Cornerstone Funeral and Cremation Services LLC
Cornerstone Trust Management Services LLC
Covenant Acquisition LLC
Glen Haven Memorial Park LLC
Henlopen Memorial Park LLC
Henlopen Memorial Park Subsidiary LLC
Henry Memorial Park LLC
Juniata Memorial Park LLC
KIRIS LLC
Lakewood/Hamilton Cemetery LLC
Lakewood Memory Gardens South LLC
Laurel Hill Memorial Park LLC
Loewen [Virginia] LLC
Lorraine Park Cemetery LLC
Modern Park Development LLC
Oak Hill Cemetery LLC
Osiris Holding of Maryland LLC
Osiris Holding of Pennsylvania LLC
Osiris Holding of Rhode Island LLC
Plymouth Warehouse Facilities LLC
PVD Acquisitions LLC
Rockbridge Memorial Gardens LLC
Rolling Green Memorial Park LLC
Rose Lawn Cemeteries LLC
Roselawn Development LLC
Russell Memorial Cemetery LLC
Shenandoah Memorial Park LLC
Southern Memorial Sales LLC
Springhill Memory Gardens LLC
Star City Memorial Sales LLC
Stitham LLC

By: /s/ Frank Milles

Frank Milles, as Vice President of each of the above-named Credit Parties

StoneMor Alabama LLC
StoneMor Arkansas Subsidiary LLC
StoneMor Cemetery Products LLC
StoneMor Colorado LLC
StoneMor Colorado Subsidiary LLC
StoneMor Florida LLC
StoneMor Florida Subsidiary LLC
StoneMor Georgia LLC
StoneMor Hawaii LLC
StoneMor Hawaiian Joint Venture Group LLC
StoneMor Holding of Pennsylvania LLC
StoneMor Illinois LLC
StoneMor Illinois Subsidiary LLC
StoneMor Indiana LLC
StoneMor Indiana Subsidiary LLC
StoneMor Iowa LLC
StoneMor Iowa Subsidiary LLC
StoneMor Kansas LLC
StoneMor Kansas Subsidiary LLC
StoneMor Kentucky LLC
StoneMor Kentucky Subsidiary LLC
StoneMor Michigan LLC
StoneMor Michigan Subsidiary LLC
StoneMor Mississippi LLC
StoneMor Mississippi Subsidiary LLC
StoneMor Missouri LLC
StoneMor Missouri Subsidiary LLC
StoneMor North Carolina LLC
StoneMor North Carolina Subsidiary LLC
StoneMor Ohio LLC
StoneMor Oklahoma LLC
StoneMor Oklahoma Subsidiary LLC
StoneMor Oregon LLC
StoneMor Oregon Subsidiary LLC
StoneMor Pennsylvania LLC
StoneMor Pennsylvania Subsidiary LLC
StoneMor Puerto Rico LLC
StoneMor Puerto Rico Subsidiary LLC
StoneMor South Carolina LLC
StoneMor South Carolina Subsidiary LLC
StoneMor Washington Subsidiary LLC

By: /s/ Frank Milles

Frank Milles, as Vice President of each of the above-named Credit Parties

Sunset Memorial Gardens LLC
Sunset Memorial Park LLC
Temple Hill LLC
The Valhalla Cemetery Company LLC
Tioga County Memorial Gardens LLC
Virginia Memorial Service LLC
WNCI LLC
Wicomico Memorial Parks LLC
Woodlawn Memorial Park Subsidiary LLC

By: /s/ Frank Milles

Frank Milles, as Vice President of each of the above-named Credit Parties

Beth Israel Cemetery Association of Woodbridge, New Jersey
Bethel Cemetery Association
Clover Leaf Park Cemetery Association
Locustwood Cemetery Association

By: /s/ Frank Milles

Frank Milles, as Vice President of each of the above-named Credit Parties

BANK OF AMERICA, N.A., as
Administrative Agent

By: /s/ Gerund N. Gore
Name: Gerund N. Gore
Title: Assistant Vice President

Administrative Agent's Signature Page to Second Amendment to Fourth Amended and Restated Credit Agreement

BANK OF AMERICA, N.A., as a Lender,
L/C Issuer and Swing Line Lender

By: /s/ Kenneth G. Wood

Name: Kenneth G. Wood

Title: Senior Vice President

Lender's Signature Page to Second Amendment to Fourth Amended and Restated Credit Agreement

TD BANK, N.A.

By: /s/ Susan Schwartz

Name: Susan Schwartz

Title: Vice President

Lender's Signature Page to Second Amendment to Fourth Amended and Restated Credit Agreement

CAPITAL ONE, NATIONAL ASSOCIATION

By: /s/ Allison Sarolo

Name: Allison Sarolo

Title: Senior Vice President

Lender's Signature Page to Second Amendment to Fourth Amended and Restated Credit Agreement

TRISTATE CAPITAL BANK

By: /s/ Ellen Frank

Name: Ellen Frank

Title: Senior Vice President

Lender's Signature Page to Second Amendment to Fourth Amended and Restated Credit Agreement

FOX CHASE BANK

By: /s/ Paul A. Pyfer

Name: Paul A. Pyfer

Title: Senior Vice President

Lender's Signature Page to Second Amendment to Fourth Amended and Restated Credit Agreement

RAYMOND JAMES BANK, N.A.

By: /s/ Scott G. Axelrod

Name: Scott G. Axelrod

Title: Senior Vice President

Lender's Signature Page to Second Amendment to Fourth Amended and Restated Credit Agreement

**KEY EMPLOYEE UNIT AGREEMENT
UNDER THE
STONEMOR PARTNERS L.P. LONG-TERM INCENTIVE PLAN**

This Key Employee Unit Agreement (the “Agreement”) entered into as of December 31, 2015, (the “Agreement Date”), by and between StoneMor GP LLC (the “Company”), the general partner of and acting on behalf of StoneMor Partners L.P., a Delaware limited partnership (the “Partnership”), and Lawrence Miller (the “Participant”), Chief Executive Officer of the Company.

BACKGROUND:

In order to make certain awards to key employees, directors and consultants of the Company and its Affiliates, the Company maintains on behalf of the Partnership the StoneMor Partners L.P. 2014 Long-Term Incentive Plan (the “Plan”). The Plan is administered by a Committee (as defined in the Plan) of the Board of Directors (“Board”) of the Company. The Committee has determined to grant to the Participant, pursuant to the terms and conditions of the Plan, an award (the “Award”) of Units (as defined in the Plan), but only effective upon and conditioned on satisfying time vesting and performance vesting conditions set forth in this Agreement. The Participant has determined to accept such Award, with the understanding that both the Time Vested Units and Performance Vested Units shall commence vesting as if the date of grant were January 1, 2015 rather than the date of this Agreement. Any initially capitalized terms and phrases used in this Agreement, but not otherwise defined herein, shall have the respective meanings ascribed to them in the Plan.

NOW, THEREFORE, the Company, acting on behalf of the Partnership, and the Participant, each intending to be legally bound hereby, agree as follows:

**ARTICLE 1
AWARD OF UNITS**

1.1 Grant of Units and Vesting. The Participant is hereby granted the following Time Vested Units and Performance Vested Units under the Plan, but only effective upon and conditioned on satisfying the applicable vesting conditions contained herein, which will permit the Participant to receive the following number of Units of the Partnership, plus any Units acquired through the DER Account referred to in Section 1.4 hereof:

Total Number of Time Vested Units for 2015, 2016 and 2017, Collectively	21,681 Units
Total Number of Performance Vested Units if Threshold Condition is Met in 2015, 2016 or 2017	3,614 Units per year
Total Number of Additional Performance Vested Units if Target Condition is Satisfied or Deemed Satisfied in 2015, 2016 or 2017	An additional 3,614 Units per year
Total Number of Additional Performance Vested Units if Maximum Condition is Satisfied or Deemed Satisfied in 2015, 2016 or 2017	An additional 7,227 Units per year

The term “date of grant”, solely for vesting and DER Account (as defined in Section 1.4) purposes, shall be deemed to be January 1, 2015 for both the Time Vested Units and the Performance Vested Units.

Time Vested Units vest at a percentage rate equal to thirty-three and one-third percent (33 1/3%) of the total Time Vested Units on each one (1) year anniversary of the date of grant.

Performance Vested Units shall vest on December 31, 2015, December 31, 2016 and December 31, 2017, provided the respective performance conditions have been achieved or waived in writing by the Committee. The Committee will endeavor to establish performance conditions at the Threshold Condition level, the Target Condition level, and the Maximum Condition level for 2016 and 2017 during the first ninety (90) days of each such calendar year and shall advise the Participant in writing of such performance conditions. The failure by the Committee to comply with such time deadlines or to advise the Participant in writing of such performance conditions shall not result in the performance conditions being deemed satisfied for any calendar year. However, the performance conditions established by the Committee for each such calendar year must be determinable (subject to any retroactive catch-up provision) on or before December 31 of such calendar year, in the absence of which the Performance Vested Units shall vest on December 31 of such calendar year at the Target Condition level.

The Committee has determined that the performance conditions for vesting on December 31, 2015 have already been satisfied by the Participant at the Target Condition level, and the Participant is entitled to receive for 2015 a total of 7,228 Performance Vested common units (plus the related amount in the DER Account), in addition to the 7,227 Time Vested common units (plus the related amount in the DER Account) which are expected to vest at December 31, 2015.

Certificates for Units shall be issued to the Participant upon the vesting of any Time Vested Units or Performance Vested Units, subject to the provisions of the Plan, including, but not limited to, Sections 6(j) and 8(f) of the Plan, and further subject to the Participant paying, or making suitable arrangements to pay, all applicable foreign, federal, state and local taxes, as more fully provided in Section 2.3 hereof, not later than the period permitted by Regulation 1.409A-1(b)(4) entitled “Short-term deferrals” and any successor guidance under the Code.

1.2 Forfeiture. All unvested Time Vested Units and Performance Vested Units hereunder are subject to the forfeiture provisions of Section 1.6 hereof and to the clawback provision referenced in Section 2.2 hereof.

1.3 Disability. The term “disability”, as used herein, shall refer to a “disability” as defined in Section 6 of the Participant’s Amended and Restated Employment Agreement executed July 22, 2013.

1.4 DER Account. The unvested Units (whether Time Vested Units or Performance Vested Units) shall not be entitled to receive distributions made by the Partnership to holders of common units. However, the Company shall maintain a DER Account for each Participant to which shall be credited with the distributions which would have been paid to the unvested Units had such Units been outstanding from and after the date of grant set forth in Section 1.1 hereof. No interest shall accrue on the DER Account.

1.5 Payment of DER Account .

(a) After any Units have vested, payments in cash of the amount in the DER Account with respect to such vested Units shall commence as soon as administratively feasible (but not later than the period permitted by Regulation 1.409A-1(b)(4) entitled “Short-term deferrals” and any successor guidance under the Code), as provided in this Section 1.5.

(b) All payments pursuant to this Section 1.5 shall be conditioned on the Participant paying, or by making suitable arrangements to pay, all applicable foreign, federal, state and local tax withholding as provided in Section 2.3 hereof not later than the period permitted by Regulation 1.409A-1(b)(4) entitled “Short-term deferrals” and any successor guidance under the Code.

1.6 Forfeiture of Unvested Units Upon Termination of Employment . In the event of the termination of the employment of the Participant (whether voluntary or involuntary and regardless of the reason for the termination, or for no reason whatsoever) with the Company or its Affiliates, all Units which have not vested on the date of such termination shall be deemed to be automatically forfeited, unless the Participant’s employment is on that date transferred to the Company or another Affiliate. If a Participant’s employment is with an Affiliate and that entity ceases to be an Affiliate, the Participant’s employment will be deemed to have terminated when the entity ceases to be an Affiliate unless the Participant transfers employment to the Company or its remaining Affiliates. Nothing contained herein shall be deemed to amend or otherwise modify any employment agreement between the Company and the Participant.

1.7 Nonalienation of Benefits . A Participant shall not have the right to sell, assign, transfer or otherwise convey or encumber in whole or in part the unvested Units or any payment of DERs under this Agreement, and the right to receive any payment hereunder shall not be subject to attachment, lien or other involuntary encumbrance.

ARTICLE 2
GENERAL PROVISIONS

2.1 No Right of Continued Employment. The receipt of this Award does not give the Participant, and nothing in the Plan or in this Agreement shall confer upon the Participant, any right to continue in the employment of the Company or any of its Affiliates. Nothing in the Plan or in this Agreement shall affect any right which the Company or any of its Affiliates may have to terminate the employment of the Participant.

2.2 Clawback. The Units and related DERs are subject to clawback under any clawback policies which are adopted by the Committee, as amended from time to time, including, but not limited to, clawback listing requirements of the New York Stock Exchange imposed by SEC rules adopted pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

2.3 Tax Withholding. The Participant is responsible to pay to the Company, or make suitable arrangements to pay, all applicable foreign, federal, state and local tax withholding as a condition to receiving certificates for the vested Units and as a condition to receiving payment of DERs, not later than the period permitted by Regulation 1.409A-1(b)(4) entitled "Short-term deferrals" and any successor guidance under the Code. The Company shall withhold a sufficient number of Units to equal all income tax payments due from the Participant in connection with vested Units and receiving payment of DERs and shall be responsible for paying such income tax payments on behalf of the Participant.

2.4 Administration. Pursuant to the Plan, the Committee is vested with conclusive authority to interpret and construe the Plan, to adopt rules and regulations for carrying out the Plan, and to make determinations with respect to all matters relating to this Agreement, the Plan and awards made pursuant thereto. The authority to manage and control the operation and administration of this Agreement shall be likewise vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee, and any decision made by the Committee with respect to this Agreement, shall be final and binding and conclusive in the absence of clear and convincing evidence that such decision was made in bad faith.

2.5 Effect of Plan; Construction. The entire text of the Plan is expressly incorporated herein by this reference and so forms a part of this Agreement. In the event of any inconsistency or discrepancy between the provisions of this Agreement and the terms and conditions of the Plan under which the Units are granted, the provisions of the Plan shall govern and prevail. The Units and this Agreement are each subject in all respects to, and the Company and the Participant each hereby agree to be bound by, all of the terms and conditions of the Plan, as the same may have been amended from time to time in accordance with its terms; provided, however, that no such amendment shall deprive the Participant, without the Participant's consent, of any rights earned or otherwise due to the Participant hereunder.

2.6 Amendment, Supplement or Waiver. This Agreement shall not be amended, supplemented, or waived in whole or in part, except by an instrument in writing executed by the parties to this Agreement.

2.7 Captions. The captions at the beginning of each of the numbered Articles and Sections herein are for reference purposes only and will have no legal force or effect. Such captions will not be considered a part of this Agreement for purposes of interpreting, construing or applying this Agreement and will not define, limit, extend, explain or describe the scope or extent of this Agreement or any of its terms and conditions.

2.8 Governing Law. THE VALIDITY, CONSTRUCTION, INTERPRETATION AND EFFECT OF THIS AGREEMENT SHALL EXCLUSIVELY BE GOVERNED BY AND DETERMINED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF PENNSYLVANIA (WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PRINCIPLES THEREOF).

2.9 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing, sent by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested. Notices to the Company shall be deemed to have been duly given or made upon actual receipt by the Company. Such communications shall be addressed and directed to the parties listed below (except where this Agreement expressly provides that it be directed to another) as follows, or to such other address or recipient for a party as may be hereafter notified by such party hereunder:

(a) if to the Partnership or Company:

StoneMor GP LLC
311 Veterans Highway, Suite B
Levittown, PA 19056, or its then
current principal office
Attention: Chief Financial Officer

(b) if to the Participant: to the address for the Participant as it appears on the Company's records.

2.10 Severability. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable, it shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision to the extent it is not prohibited or unenforceable, nor invalidate the other provisions hereof.

2.11 Entire Agreement; Counterparts; Construction. This Agreement constitutes the entire understanding and supersedes any and all other agreements, oral or written, between the parties hereto, in respect of the subject matter of this Agreement, and embodies the entire understanding of the parties with respect to the subject matter hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original against any party whose signature appears thereon. The rule of construction that ambiguities in a document are construed against the draftsperson shall not apply to this Agreement.

2.12 Binding Agreement. The terms and conditions of this Agreement shall be binding upon, and inure to the benefit of, the estate, heirs, beneficiaries and other representatives of the Participant. The terms and conditions of this Agreement shall be binding upon the Company and the Partnership and their respective successors and assigns.

2.13 Arbitration. Any dispute or disagreement with respect to any portion of this Agreement or its validity, construction, meaning, performance, or Participant's rights hereunder shall be settled by arbitration, conducted in Philadelphia, Pennsylvania, in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor, as amended from time to time. However, prior to submission to arbitration the Participant will attempt to resolve any disputes or disagreements with the Partnership over this Agreement amicably and informally, in good faith, for a period not to exceed two weeks. Thereafter, the dispute or disagreement will be submitted to arbitration. At any time prior to a decision from the arbitrator(s) being rendered, the Participant and the Partnership may resolve the dispute by settlement. The Participant and the Partnership shall equally share the costs charged by the American Arbitration Association or its successor, but the Participant and the Partnership shall otherwise be solely responsible for their own respective counsel fees and expenses. The decision of the arbitrator(s) shall be made in writing, setting forth the award, the reasons for the decision and award and shall be binding and conclusive on the Participant and the Partnership. Further, neither Participant nor the Partnership shall appeal any such award. Judgment of a court of competent jurisdiction may be entered upon the award and may be enforced as such in accordance with the provisions of the award. **THE PARTICIPANT HEREBY WAIVES ANY RIGHT TO A JURY TRIAL.**

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day first above written.

STONEMOR PARTNERS L.P.

By: StoneMor GP LLC

By: /s/ Sean P. McGrath

Name: Sean P. McGrath

Title: Chief Financial Officer

The Participant hereby acknowledges receipt of a copy of the foregoing Unit Agreement and the Plan, and having read them, hereby signifies the Participant's understanding of, and the Participant's agreement with, their terms and conditions. The Participant hereby accepts this Unit Agreement in full satisfaction of any previous written or verbal promises made to the participant by the Partnership or the Company or any of its other Affiliates with respect to awards under the Plan.

/s/ Lawrence Miller
(Signature of Participant)

(seal)

12/31/15

(Date)

**KEY EMPLOYEE UNIT AGREEMENT
UNDER THE
STONEMOR PARTNERS L.P. LONG-TERM INCENTIVE PLAN**

This Key Employee Unit Agreement (the “Agreement”) entered into as of December 31, 2015, (the “Agreement Date”), by and between StoneMor GP LLC (the “Company”), the general partner of and acting on behalf of StoneMor Partners L.P., a Delaware limited partnership (the “Partnership”), and Sean P. McGrath, a key employee (the “Participant”) of the Company or its Affiliates (as defined in the Plan).

BACKGROUND:

In order to make certain awards to key employees, directors and consultants of the Company and its Affiliates, the Company maintains on behalf of the Partnership the StoneMor Partners L.P. 2014 Long-Term Incentive Plan (the “Plan”). The Plan is administered by a Committee (as defined in the Plan) of the Board of Directors (“Board”) of the Company. The Committee has determined to grant to the Participant, pursuant to the terms and conditions of the Plan, an award (the “Award”) of Units (as defined in the Plan), but only effective upon and conditioned on satisfying time vesting and performance vesting conditions set forth in this Agreement. The Participant has determined to accept such Award. Any initially capitalized terms and phrases used in this Agreement, but not otherwise defined herein, shall have the respective meanings ascribed to them in the Plan.

NOW, THEREFORE, the Company, acting on behalf of the Partnership, and the Participant, each intending to be legally bound hereby, agree as follows:

**ARTICLE 1
AWARD OF UNITS**

1.1 Grant of Units and Vesting. The Participant is hereby granted the following Time Vested Units and Performance Vested Units under the Plan, but only effective upon and conditioned on satisfying the applicable vesting conditions contained herein, which will permit the Participant to receive the following number of Units of the Partnership, plus any Units acquired through the DER Account referred to in Section 1.4 hereof:

<u>Date of Grant (Except as Noted)</u>	<u>December 31, 2015</u>
Total Number of Time Vested Units, Collectively	8,324 Units
Total Number of Threshold Condition Performance Vested Units is Satisfied or Deemed Satisfied for 2016, 2017 or 2018	1,387 Units per Year
Total Number of Additional Performance Vested Units if Target Condition is Satisfied or Deemed Satisfied for 2016, 2017 or 2018	An additional 1,387 Units per Year
Total Number of Additional Performance Vested Units if Maximum Condition is Satisfied or Deemed Satisfied for 2016, 2017 or 2018	An additional 2,775 Units per Year

The term “date of grant” shall be deemed to be September 28, 2015 (i) solely for vesting and DER Account (as defined in Section 1.4) purposes for the Time Vested Units and (ii) solely for DER Account purposes (but not for vesting purposes) for the Performance Vested Units.

Time Vested Units vest at a percentage rate equal to thirty-three and one-third percent (33 1/3%) of the total Time Vested Units on each one (1) year anniversary of the date of grant.

Performance Vested Units shall vest on December 31, 2016, December 31, 2017, and December 31, 2018, provided the respective performance conditions established by the Committee have been achieved or waived in writing by the Committee for each of the calendar years 2016, 2017 and 2018. The Committee will endeavor to establish performance conditions at the Threshold Condition level, the Target Condition level, and the Maximum Condition level for 2016, 2017, and 2018 during the first ninety (90) days of each such calendar year and to advise the Participant in writing of such performance conditions. The failure by the Committee to comply with such time deadlines or to advise the Participant in writing of such performance conditions shall not result in the performance conditions being deemed satisfied for any calendar year. However, the performance conditions established by the Committee for each such calendar year must be determinable (subject to any retroactive catch-up provision) on or before December 31 of such calendar year, in the absence of which the Performance Vested Units shall vest on December 31 of such calendar year at the Target Condition level.

Certificates for Units shall be issued to the Participant upon the vesting of any Time Vested Units or Performance Vested Units, subject to the provisions of the Plan, including, but not limited to, Sections 6(j) and 8(f) of the Plan, and further subject to the Participant paying, or making suitable arrangements to pay, all applicable foreign, federal, state and local taxes, as more fully provided in Section 2.3 hereof, not later than the period permitted by Regulation 1.409A-1(b)(4) entitled “Short-term deferrals” and any successor guidance under the Code.

1.2 Forfeiture. All unvested Time Vested Units and Performance Vested Units hereunder are subject to the forfeiture provisions of Section 1.6 hereof and to the clawback provision referenced in Section 2.2 hereof.

1.3 Disability. The term “disability”, as used herein, shall refer to the Participant’s inability because of physical or mental illness or incapacity, whether partial or total, with or without reasonable accommodation, to perform the Participant’s duties with the Company for a continuous period of at least three (3) months or for an aggregate of ninety (90) days within any twelve (12) month period.

1.4 DER Account. The unvested Units (whether Time Vested Units or Performance Vested Units) shall not be entitled to receive distributions made by the Partnership to holders of common units. However, the Company shall maintain a DER Account for each Participant to which shall be credited with the distributions which would have been paid to the unvested Units had such Units been outstanding from and after the date of grant set forth in Section 1.1 hereof. No interest shall accrue on the DER Account.

1.5 Payment of DER Account.

(a) After any Units have vested, payments of the amount in the DER Account with respect to such vested Units shall commence as soon as administratively feasible (but not later than the period permitted by Regulation 1.409A-1(b)(4) entitled “Short-term deferrals” and any successor guidance under the Code), as provided in this Section 1.5. The Company may, at its option, pay up to fifty percent (50%) of the amount in the DER account in the form of Units, rather than cash, such Units to be valued at the closing price on the last business day prior to the distribution of the Units, provided such Units can be immediately sold by the Participant.

(b) All payments pursuant to this Section 1.5 shall be conditioned on the Participant paying, or by making suitable arrangements to pay, all applicable foreign, federal, state and local tax withholding as provided in Section 2.3 hereof not later than the period permitted by Regulation 1.409A-1(b)(4) entitled “Short-term deferrals” and any successor guidance under the Code.

1.6 Forfeiture of Unvested Units Upon Termination of Employment. In the event of the termination of the employment of the Participant (whether voluntary or involuntary and regardless of the reason for the termination, or for no reason whatsoever) with the Company or its Affiliates, all Units which have not vested on the date of such termination shall be deemed to be automatically forfeited, unless the Participant’s employment is on that date transferred to the Company or another Affiliate. If a Participant’s employment is with an Affiliate and that entity ceases to be an Affiliate, the Participant’s employment will be deemed to have terminated when the entity ceases to be an Affiliate unless the Participant transfers employment to the Company or its remaining Affiliates. Nothing contained herein shall be deemed to amend or otherwise modify any employment agreement between the Company and the Participant.

1.7 Nonalienation of Benefits. A Participant shall not have the right to sell, assign, transfer or otherwise convey or encumber in whole or in part the unvested Units or any payment of DERs under this Agreement, and the right to receive any payment hereunder shall not be subject to attachment, lien or other involuntary encumbrance.

ARTICLE 2
GENERAL PROVISIONS

2.1 No Right of Continued Employment. The receipt of this Award does not give the Participant, and nothing in the Plan or in this Agreement shall confer upon the Participant, any right to continue in the employment of the Company or any of its Affiliates. Nothing in the Plan or in this Agreement shall affect any right which the Company or any of its Affiliates may have to terminate the employment of the Participant.

2.2 Clawback. The Units and related DERs are subject to clawback under any clawback policies which are adopted by the Committee, as amended from time to time, including, but not limited to, clawback listing requirements of the New York Stock Exchange imposed by SEC rules adopted pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

2.3 Tax Withholding. The Participant is responsible to pay to the Company, or make suitable arrangements to pay, all applicable foreign, federal, state and local tax withholding as a condition to receiving certificates for the vested Units and as a condition to receiving payment of DERs, not later than the period permitted by Regulation 1.409A-1(b)(4) entitled "Short-term deferrals" and any successor guidance under the Code.

2.4 Administration. Pursuant to the Plan, the Committee is vested with conclusive authority to interpret and construe the Plan, to adopt rules and regulations for carrying out the Plan, and to make determinations with respect to all matters relating to this Agreement, the Plan and awards made pursuant thereto. The authority to manage and control the operation and administration of this Agreement shall be likewise vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee, and any decision made by the Committee with respect to this Agreement, shall be final and binding and conclusive in the absence of clear and convincing evidence that such decision was made in bad faith.

2.5 Effect of Plan; Construction. The entire text of the Plan is expressly incorporated herein by this reference and so forms a part of this Agreement. In the event of any inconsistency or discrepancy between the provisions of this Agreement and the terms and conditions of the Plan under which the Units are granted, the provisions of the Plan shall govern and prevail. The Units and this Agreement are each subject in all respects to, and the Company and the Participant each hereby agree to be bound by, all of the terms and conditions of the Plan, as the same may have been amended from time to time in accordance with its terms; provided, however, that no such amendment shall deprive the Participant, without the Participant's consent, of any rights earned or otherwise due to the Participant hereunder.

2.6 Amendment, Supplement or Waiver. This Agreement shall not be amended, supplemented, or waived in whole or in part, except by an instrument in writing executed by the parties to this Agreement.

2.7 Captions. The captions at the beginning of each of the numbered Articles and Sections herein are for reference purposes only and will have no legal force or effect. Such captions will not be considered a part of this Agreement for purposes of interpreting, construing or applying this Agreement and will not define, limit, extend, explain or describe the scope or extent of this Agreement or any of its terms and conditions.

2.8 Governing Law. THE VALIDITY, CONSTRUCTION, INTERPRETATION AND EFFECT OF THIS AGREEMENT SHALL EXCLUSIVELY BE GOVERNED BY AND DETERMINED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF PENNSYLVANIA (WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PRINCIPLES THEREOF).

2.9 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing, sent by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested. Notices to the Company shall be deemed to have been duly given or made upon actual receipt by the Company. Such communications shall be addressed and directed to the parties listed below (except where this Agreement expressly provides that it be directed to another) as follows, or to such other address or recipient for a party as may be hereafter notified by such party hereunder:

(a) if to the Partnership or Company: StoneMor GP LLC
311 Veterans Highway, Suite B
Levittown, PA 19056, or its then
current principal office
Attention: Chief Financial Officer

(b) if to the Participant: to the address for the Participant as it appears on the Company's records.

2.10 Severability. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable, it shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision to the extent it is not prohibited or unenforceable, nor invalidate the other provisions hereof.

2.11 Entire Agreement; Counterparts; Construction. This Agreement constitutes the entire understanding and supersedes any and all other agreements, oral or written, between the parties hereto, in respect of the subject matter of this Agreement, and embodies the entire understanding of the parties with respect to the subject matter hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original against any party whose signature appears thereon. The rule of construction that ambiguities in a document are construed against the draftsman shall not apply to this Agreement.

2.12 Binding Agreement. The terms and conditions of this Agreement shall be binding upon, and inure to the benefit of, the estate, heirs, beneficiaries and other representatives of the Participant. The terms and conditions of this Agreement shall be binding upon the Company and the Partnership and their respective successors and assigns.

2.13 Arbitration. Any dispute or disagreement with respect to any portion of this Agreement or its validity, construction, meaning, performance, or Participant's rights hereunder shall be settled by arbitration, conducted in Philadelphia, Pennsylvania, in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor, as amended from time to time. However, prior to submission to arbitration the Participant will

attempt to resolve any disputes or disagreements with the Partnership over this Agreement amicably and informally, in good faith, for a period not to exceed two weeks. Thereafter, the dispute or disagreement will be submitted to arbitration. At any time prior to a decision from the arbitrator(s) being rendered, the Participant and the Partnership may resolve the dispute by settlement. The Participant and the Partnership shall equally share the costs charged by the American Arbitration Association or its successor, but the Participant and the Partnership shall otherwise be solely responsible for their own respective counsel fees and expenses. The decision of the arbitrator(s) shall be made in writing, setting forth the award, the reasons for the decision and award and shall be binding and conclusive on the Participant and the Partnership. Further, neither Participant nor the Partnership shall appeal any such award. Judgment of a court of competent jurisdiction may be entered upon the award and may be enforced as such in accordance with the provisions of the award. **THE PARTICIPANT HEREBY WAIVES ANY RIGHT TO A JURY TRIAL.**

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day first above written.

STONEMOR PARTNERS L.P.

By: StoneMor GP LLC

By: /s/ Lawrence Miller

Name: Lawrence Miller

Title: President and Chief Executive Officer

The Participant hereby acknowledges receipt of a copy of the foregoing Unit Agreement and the Plan, and having read them, hereby signifies the Participant’s understanding of, and the Participant’s agreement with, their terms and conditions. The Participant hereby accepts this Unit Agreement in full satisfaction of any previous written or verbal promises made to the participant by the Partnership or the Company or any of its other Affiliates with respect to awards under the Plan.

/s/ Sean P. McGrath
Sean P. McGrath

(seal)

12/31/15

(Date)

**KEY EMPLOYEE UNIT AGREEMENT
UNDER THE
STONEMOR PARTNERS L.P. LONG-TERM INCENTIVE PLAN**

This Key Employee Unit Agreement (the “Agreement”) entered into as of December 31, 2015, (the “Agreement Date”), by and between StoneMor GP LLC (the “Company”), the general partner of and acting on behalf of StoneMor Partners L.P., a Delaware limited partnership (the “Partnership”), and David L. Meyers, a key employee (the “Participant”) of the Company or its Affiliates (as defined in the Plan).

BACKGROUND:

In order to make certain awards to key employees, directors and consultants of the Company and its Affiliates, the Company maintains on behalf of the Partnership the StoneMor Partners L.P. 2014 Long-Term Incentive Plan (the “Plan”). The Plan is administered by a Committee (as defined in the Plan) of the Board of Directors (“Board”) of the Company. The Committee has determined to grant to the Participant, pursuant to the terms and conditions of the Plan, an award (the “Award”) of Units (as defined in the Plan), but only effective upon and conditioned on satisfying time vesting and performance vesting conditions set forth in this Agreement. The Participant has determined to accept such Award. Any initially capitalized terms and phrases used in this Agreement, but not otherwise defined herein, shall have the respective meanings ascribed to them in the Plan.

NOW, THEREFORE, the Company, acting on behalf of the Partnership, and the Participant, each intending to be legally bound hereby, agree as follows:

**ARTICLE 1
AWARD OF UNITS**

1.1 Grant of Units and Vesting. The Participant is hereby granted the following Time Vested Units and Performance Vested Units under the Plan, but only effective upon and conditioned on satisfying the applicable vesting conditions contained herein, which will permit the Participant to receive the following number of Units of the Partnership, plus any Units acquired through the DER Account referred to in Section 1.4 hereof:

<u>Date of Grant</u>	<u>December 31, 2015</u>
Total Number of Time Vested Units, Collectively	7,729 Units
Total Number of Threshold Condition Performance Vested Units is Satisfied or Deemed Satisfied for 2016, 2017 or 2018	1,288 Units per Year
Total Number of Additional Performance Vested Units if Target Condition is Satisfied or Deemed Satisfied for 2016, 2017 or 2018	An additional 1,288 Units per Year
Total Number of Additional Performance Vested Units if Maximum Condition is Satisfied or Deemed Satisfied for 2016, 2017 or 2018	An additional 2,576 Units per Year

Time Vested Units vest at a percentage rate equal to thirty-three and one-third percent (33 1/3%) of the total Time Vested Units on each one (1) year anniversary of the date of grant.

Performance Vested Units shall vest on December 31, 2016, December 31, 2017, and December 31, 2018, provided the respective performance conditions established by the Committee have been achieved or waived in writing by the Committee for each of the calendar years 2016, 2017 and 2018. The Committee will endeavor to establish performance conditions at the Threshold Condition level, the Target Condition level, and the Maximum Condition level for 2016, 2017, and 2018 during the first ninety (90) days of each such calendar year and to advise the Participant in writing of such performance conditions. The failure by the Committee to comply with such time deadlines or to advise the Participant in writing of such performance conditions shall not result in the performance conditions being deemed satisfied for any calendar year. However, the performance conditions established by the Committee for each such calendar year must be determinable (subject to any retroactive catch-up provision) on or before December 31 of such calendar year, in the absence of which the Performance Vested Units shall vest on December 31 of such calendar year at the Target Condition level.

Certificates for Units shall be issued to the Participant upon the vesting of any Time Vested Units or Performance Vested Units, subject to the provisions of the Plan, including, but not limited to, Sections 6(j) and 8(f) of the Plan, and further subject to the Participant paying, or making suitable arrangements to pay, all applicable foreign, federal, state and local taxes, as more fully provided in Section 2.3 hereof, not later than the period permitted by Regulation 1.409A-1(b)(4) entitled "Short-term deferrals" and any successor guidance under the Code.

1.2 Forfeiture. All unvested Time Vested Units and Performance Vested Units hereunder are subject to the forfeiture provisions of Section 1.6 hereof and to the clawback provision referenced in Section 2.2 hereof.

1.3 Disability. The term "disability", as used herein, shall refer to the Participant's inability because of physical or mental illness or incapacity, whether partial or total, with or without reasonable accommodation, to perform the Participant's duties with the Company for a continuous period of at least three (3) months or for an aggregate of ninety (90) days within any twelve (12) month period.

1.4 DER Account. The unvested Units (whether Time Vested Units or Performance Vested Units) shall not be entitled to receive distributions made by the Partnership to holders of common units. However, the Company shall maintain a DER Account for each Participant to which shall be credited with the distributions which would have been paid to the unvested Units had such Units been outstanding from and after the date of grant set forth in Section 1.1 hereof. No interest shall accrue on the DER Account.

1.5 Payment of DER Account.

(a) After any Units have vested, payments of the amount in the DER Account with respect to such vested Units shall commence as soon as administratively feasible (but not later than the period permitted by Regulation 1.409A-1(b)(4) entitled "Short-term deferrals" and any successor guidance under the Code), as provided in this Section 1.5. The Company may, at its option, pay up to fifty percent (50%) of the amount in the DER account in the form of Units, rather than cash, such Units to be valued at the closing price on the last business day prior to the distribution of the Units, provided such Units can be immediately sold by the Participant.

(b) All payments pursuant to this Section 1.5 shall be conditioned on the Participant paying, or by making suitable arrangements to pay, all applicable foreign, federal, state and local tax withholding as provided in Section 2.3 hereof not later than the period permitted by Regulation 1.409A-1(b)(4) entitled "Short-term deferrals" and any successor guidance under the Code.

1.6 Forfeiture of Unvested Units Upon Termination of Employment. In the event of the termination of the employment of the Participant (whether voluntary or involuntary and regardless of the reason for the termination, or for no reason whatsoever) with the Company or its Affiliates, all Units which have not vested on the date of such termination shall be deemed to be automatically forfeited, unless the Participant's employment is on that date transferred to the Company or another Affiliate. If a Participant's employment is with an Affiliate and that entity ceases to be an Affiliate, the Participant's employment will be deemed to have terminated when the entity ceases to be an Affiliate unless the Participant transfers employment to the Company or its remaining Affiliates. Nothing contained herein shall be deemed to amend or otherwise modify any employment agreement between the Company and the Participant.

1.7 Nonalienation of Benefits. A Participant shall not have the right to sell, assign, transfer or otherwise convey or encumber in whole or in part the unvested Units or any payment of DERs under this Agreement, and the right to receive any payment hereunder shall not be subject to attachment, lien or other involuntary encumbrance.

ARTICLE 2
GENERAL PROVISIONS

2.1 No Right of Continued Employment. The receipt of this Award does not give the Participant, and nothing in the Plan or in this Agreement shall confer upon the Participant, any

right to continue in the employment of the Company or any of its Affiliates. Nothing in the Plan or in this Agreement shall affect any right which the Company or any of its Affiliates may have to terminate the employment of the Participant.

2.2 Clawback. The Units and related DERs are subject to clawback under any clawback policies which are adopted by the Committee, as amended from time to time, including, but not limited to, clawback listing requirements of the New York Stock Exchange imposed by SEC rules adopted pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

2.3 Tax Withholding. The Participant is responsible to pay to the Company, or make suitable arrangements to pay, all applicable foreign, federal, state and local tax withholding as a condition to receiving certificates for the vested Units and as a condition to receiving payment of DERs, not later than the period permitted by Regulation 1.409A-1(b)(4) entitled "Short-term deferrals" and any successor guidance under the Code.

2.4 Administration. Pursuant to the Plan, the Committee is vested with conclusive authority to interpret and construe the Plan, to adopt rules and regulations for carrying out the Plan, and to make determinations with respect to all matters relating to this Agreement, the Plan and awards made pursuant thereto. The authority to manage and control the operation and administration of this Agreement shall be likewise vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee, and any decision made by the Committee with respect to this Agreement, shall be final and binding and conclusive in the absence of clear and convincing evidence that such decision was made in bad faith.

2.5 Effect of Plan; Construction. The entire text of the Plan is expressly incorporated herein by this reference and so forms a part of this Agreement. In the event of any inconsistency or discrepancy between the provisions of this Agreement and the terms and conditions of the Plan under which the Units are granted, the provisions of the Plan shall govern and prevail. The Units and this Agreement are each subject in all respects to, and the Company and the Participant each hereby agree to be bound by, all of the terms and conditions of the Plan, as the same may have been amended from time to time in accordance with its terms; provided, however, that no such amendment shall deprive the Participant, without the Participant's consent, of any rights earned or otherwise due to the Participant hereunder.

2.6 Amendment, Supplement or Waiver. This Agreement shall not be amended, supplemented, or waived in whole or in part, except by an instrument in writing executed by the parties to this Agreement.

2.7 Captions. The captions at the beginning of each of the numbered Articles and Sections herein are for reference purposes only and will have no legal force or effect. Such captions will not be considered a part of this Agreement for purposes of interpreting, construing or applying this Agreement and will not define, limit, extend, explain or describe the scope or extent of this Agreement or any of its terms and conditions.

2.8 Governing Law. THE VALIDITY, CONSTRUCTION, INTERPRETATION AND EFFECT OF THIS AGREEMENT SHALL EXCLUSIVELY BE GOVERNED BY AND DETERMINED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF PENNSYLVANIA (WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PRINCIPLES THEREOF).

2.9 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing, sent by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested. Notices to the Company shall be deemed to have been duly given or made upon actual receipt by the Company. Such communications shall be addressed and directed to the parties listed below (except where this Agreement expressly provides that it be directed to another) as follows, or to such other address or recipient for a party as may be hereafter notified by such party hereunder:

(a) if to the Partnership or Company:

StoneMor GP LLC
311 Veterans Highway, Suite B
Levittown, PA 19056, or its then
current principal office
Attention: Chief Financial Officer

(b) if to the Participant: to the address for the Participant as it appears on the Company's records.

2.10 Severability. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable, it shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision to the extent it is not prohibited or unenforceable, nor invalidate the other provisions hereof.

2.11 Entire Agreement; Counterparts; Construction. This Agreement constitutes the entire understanding and supersedes any and all other agreements, oral or written, between the parties hereto, in respect of the subject matter of this Agreement, and embodies the entire understanding of the parties with respect to the subject matter hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original against any party whose signature appears thereon. The rule of construction that ambiguities in a document are construed against the draftsman shall not apply to this Agreement.

2.12 Binding Agreement. The terms and conditions of this Agreement shall be binding upon, and inure to the benefit of, the estate, heirs, beneficiaries and other representatives of the Participant. The terms and conditions of this Agreement shall be binding upon the Company and the Partnership and their respective successors and assigns.

2.13 Arbitration. Any dispute or disagreement with respect to any portion of this Agreement or its validity, construction, meaning, performance, or Participant's rights hereunder shall be settled by arbitration, conducted in Philadelphia, Pennsylvania, in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor, as amended from time to time. However, prior to submission to arbitration the Participant will

attempt to resolve any disputes or disagreements with the Partnership over this Agreement amicably and informally, in good faith, for a period not to exceed two weeks. Thereafter, the dispute or disagreement will be submitted to arbitration. At any time prior to a decision from the arbitrator(s) being rendered, the Participant and the Partnership may resolve the dispute by settlement. The Participant and the Partnership shall equally share the costs charged by the American Arbitration Association or its successor, but the Participant and the Partnership shall otherwise be solely responsible for their own respective counsel fees and expenses. The decision of the arbitrator(s) shall be made in writing, setting forth the award, the reasons for the decision and award and shall be binding and conclusive on the Participant and the Partnership. Further, neither Participant nor the Partnership shall appeal any such award. Judgment of a court of competent jurisdiction may be entered upon the award and may be enforced as such in accordance with the provisions of the award. **THE PARTICIPANT HEREBY WAIVES ANY RIGHT TO A JURY TRIAL.**

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day first above written.

STONEMOR PARTNERS L.P.

By: StoneMor GP LLC

By: /s/ Lawrence Miller

Name: Lawrence Miller

Title: President and Chief Executive Officer

The Participant hereby acknowledges receipt of a copy of the foregoing Unit Agreement and the Plan, and having read them, hereby signifies the Participant’s understanding of, and the Participant’s agreement with, their terms and conditions. The Participant hereby accepts this Unit Agreement in full satisfaction of any previous written or verbal promises made to the participant by the Partnership or the Company or any of its other Affiliates with respect to awards under the Plan.

/s/ David L. Meyers
David L. Meyers

(seal)

12/31/15

(Date)

**Subsidiaries (or Managed Entities*) of StoneMor Partners L.P.
(StoneMor GP LLC general partner) as of December 31, 2015**

<u>Subsidiary (or Managed Entity*) Name</u>	<u>Jurisdiction of Formation</u>
Alleghany Memorial Park LLC	Virginia
Alleghany Memorial Park Subsidiary, Inc.	Virginia
Altavista Memorial Park LLC	Virginia
Altavista Memorial Park Subsidiary, Inc.	Virginia
Arlington Development Company	New Jersey
Augusta Memorial Park Perpetual Care Company	Virginia
Bethel Cemetery Association*	New Jersey
Beth Israel Cemetery Association of Woodbridge, New Jersey*	New Jersey
Birchlawn Burial Park LLC	Virginia
Birchlawn Burial Park Subsidiary, Inc.	Virginia
Bronswood Cemetery, Inc.	Illinois
Cedar Hill Funeral Home, Inc.	Maryland
Cemetery Investments LLC	Virginia
Cemetery Investments Subsidiary, Inc.	Virginia
Cemetery Management Services, L.L.C.	Delaware
Cemetery Management Services of Ohio, L.L.C.	Delaware
Chapel Hill Associates, Inc.	Michigan
Chapel Hill Funeral Home, Inc.	Indiana
Clover Leaf Park Cemetery Association*	New Jersey
CMS West LLC	Pennsylvania

<u>Subsidiary (or Managed Entity*) Name</u>	<u>Jurisdiction of Formation</u>
CMS West Subsidiary LLC	Pennsylvania
Columbia Memorial Park LLC	Maryland
Columbia Memorial Park Subsidiary, Inc.	Maryland
Cornerstone Family Insurance Services, Inc.	Delaware
Cornerstone Family Services of New Jersey, Inc.	New Jersey
Cornerstone Family Services of West Virginia LLC	West Virginia
Cornerstone Family Services of West Virginia Subsidiary, Inc.	West Virginia
Cornerstone Funeral and Cremation Services LLC	Delaware
Cornerstone Trust Management Services LLC	Delaware
Covenant Acquisition LLC	Virginia
Covenant Acquisition Subsidiary, Inc.	Virginia
Covington Memorial Funeral Home, Inc.	Indiana
Covington Memorial Gardens, Inc.	Indiana
Crown Hill Cemetery Association*	Ohio
Eloise B. Kyper Funeral Home, Inc.	Pennsylvania
Forest Lawn Gardens, Inc.	Pennsylvania
Forest Lawn Memorial Chapel, Inc.	Indiana
Forest Lawn Memory Gardens, Inc.	Indiana
Glen Haven Memorial Park LLC	Delaware
Glen Haven Memorial Park Subsidiary, Inc.	Maryland
Henlopen Memorial Park LLC	Delaware
Henlopen Memorial Park Subsidiary LLC	Delaware
Henry Memorial Park LLC	Virginia

<u>Subsidiary (or Managed Entity*) Name</u>	<u>Jurisdiction of Formation</u>
Henry Memorial Park Subsidiary, Inc.	Virginia
Highland Memorial Park, Inc.*	Ohio
Hillside Memorial Park Association, Inc.*	Ohio
Juniata Memorial Park LLC	Pennsylvania
Kingwood Memorial Park Association*	Ohio
KIRIS LLC	Virginia
KIRIS Subsidiary, Inc.	Virginia
Kirk & Nice, Inc.	Pennsylvania
Kirk & Nice Suburban Chapel, Inc.	Pennsylvania
Lakewood/Hamilton Cemetery LLC	Tennessee
Lakewood/Hamilton Cemetery Subsidiary, Inc.	Tennessee
Lakewood Memory Gardens South LLC	Georgia
Lakewood Memory Gardens South Subsidiary, Inc.	Georgia
Laurel Hill Memorial Park LLC	Virginia
Laurel Hill Memorial Park Subsidiary, Inc.	Virginia
Laurelwood Holding Company	Pennsylvania
Legacy Estates, Inc.	New Jersey
Locustwood Cemetery Association*	New Jersey
Loewen [Virginia] LLC	Virginia
Loewen [Virginia] Subsidiary, Inc.	Virginia
Lorraine Park Cemetery LLC	Delaware
Lorraine Park Cemetery Subsidiary, Inc.	Maryland
Modern Park Development LLC	Maryland

<u>Subsidiary (or Managed Entity*) Name</u>	<u>Jurisdiction of Formation</u>
Modern Park Development Subsidiary, Inc.	Maryland
Northlawn Memorial Gardens*	Ohio
Oak Hill Cemetery LLC	Virginia
Oak Hill Cemetery Subsidiary, Inc.	Virginia
Ohio Cemetery Holdings, Inc.*	Ohio
Osiris Holding Finance Company	Delaware
Osiris Holding of Maryland LLC	Delaware
Osiris Holding of Maryland Subsidiary, Inc.	Maryland
Osiris Holding of Pennsylvania LLC	Pennsylvania
Osiris Holding of Rhode Island LLC	Rhode Island
Osiris Holding of Rhode Island Subsidiary, Inc.	Rhode Island
Osiris Management, Inc.	New Jersey
Osiris Telemarketing Corp.	New York
Perpetual Gardens.Com, Inc.	Delaware
Plymouth Warehouse Facilities LLC	Delaware
Prince George Cemetery Corporation	Virginia
PVD Acquisitions LLC	Virginia
PVD Acquisitions Subsidiary, Inc.	Virginia
Rockbridge Memorial Gardens LLC	Virginia
Rockbridge Memorial Gardens Subsidiary Company	Virginia
Rolling Green Memorial Park LLC	Pennsylvania
Rose Lawn Cemeteries LLC	Virginia
Rose Lawn Cemeteries Subsidiary, Incorporated	Virginia

<u>Subsidiary (or Managed Entity*) Name</u>	<u>Jurisdiction of Formation</u>
Roselawn Development LLC	Virginia
Roselawn Development Subsidiary Corporation	Virginia
Russell Memorial Cemetery LLC	Virginia
Russell Memorial Cemetery Subsidiary, Inc.	Virginia
Shenandoah Memorial Park LLC	Virginia
Shenandoah Memorial Park Subsidiary, Inc.	Virginia
Sierra View Memorial Park	California
Southern Memorial Sales LLC	Virginia
Southern Memorial Sales Subsidiary, Inc.	Virginia
Springhill Memory Gardens LLC	Maryland
Springhill Memory Gardens Subsidiary, Inc.	Maryland
Star City Memorial Sales LLC	Virginia
Star City Memorial Sales Subsidiary, Inc.	Virginia
Stephen R. Haky Funeral Home, Inc.	Pennsylvania
Stitham LLC	Virginia
Stitham Subsidiary, Incorporated	Virginia
StoneMor Alabama LLC	Alabama
StoneMor Alabama Subsidiary, Inc.	Alabama
StoneMor Arkansas Subsidiary LLC	Arkansas
StoneMor California, Inc.	California
StoneMor California Subsidiary, Inc.	California
StoneMor Cemetery Products LLC	Pennsylvania
StoneMor Colorado LLC	Colorado

<u>Subsidiary (or Managed Entity*) Name</u>	<u>Jurisdiction of Formation</u>
StoneMor Colorado Subsidiary LLC	Colorado
StoneMor Florida LLC	Florida
StoneMor Florida Subsidiary LLC	Florida
StoneMor Georgia LLC	Georgia
StoneMor Georgia Subsidiary, Inc.	Georgia
StoneMor Hawaiian Joint Venture Group LLC	Hawaii
StoneMor Hawaii LLC	Hawaii
StoneMor Hawaii Subsidiary, Inc.	Hawaii
StoneMor Holding of Pennsylvania LLC	Pennsylvania
StoneMor Illinois LLC	Illinois
StoneMor Illinois Subsidiary LLC	Illinois
StoneMor Indiana LLC	Indiana
StoneMor Indiana Subsidiary LLC	Indiana
StoneMor Iowa LLC	Iowa
StoneMor Iowa Subsidiary LLC	Iowa
StoneMor Kansas LLC	Kansas
StoneMor Kansas Subsidiary LLC	Kansas
StoneMor Kentucky LLC	Kentucky
StoneMor Kentucky Subsidiary LLC	Kentucky
StoneMor Michigan LLC	Michigan
StoneMor Michigan Subsidiary LLC	Michigan
StoneMor Mississippi LLC	Mississippi
StoneMor Mississippi Subsidiary LLC	Mississippi

<u>Subsidiary (or Managed Entity*) Name</u>	<u>Jurisdiction of Formation</u>
StoneMor Missouri LLC	Missouri
StoneMor Missouri Subsidiary LLC	Missouri
StoneMor North Carolina LLC	North Carolina
StoneMor North Carolina Subsidiary LLC	North Carolina
StoneMor North Carolina Funeral Services, Inc.	North Carolina
StoneMor Ohio LLC	Ohio
StoneMor Ohio Subsidiary, Inc.	Ohio
StoneMor Oklahoma LLC	Oklahoma
StoneMor Oklahoma Subsidiary LLC	Oklahoma
StoneMor Operating LLC	Delaware
StoneMor Oregon LLC	Oregon
StoneMor Oregon Subsidiary LLC	Oregon
StoneMor Pennsylvania LLC	Pennsylvania
StoneMor Pennsylvania Subsidiary LLC	Pennsylvania
StoneMor Puerto Rico LLC	Puerto Rico
StoneMor Puerto Rico Cemetery and Funeral, Inc.	Puerto Rico
StoneMor Puerto Rico Subsidiary LLC	Puerto Rico
StoneMor South Carolina LLC	South Carolina
StoneMor South Carolina Subsidiary LLC	South Carolina
StoneMor Tennessee Subsidiary, Inc.	Tennessee
StoneMor Washington, Inc.	Washington
StoneMor Washington Subsidiary LLC	Washington
Sunset Memorial Gardens LLC	Virginia

<u>Subsidiary (or Managed Entity*) Name</u>	<u>Jurisdiction of Formation</u>
Sunset Memorial Gardens Subsidiary, Inc.	Virginia
Sunset Memorial Park LLC	Maryland
Sunset Memorial Park Subsidiary, Inc.	Maryland
Temple Hill LLC	Virginia
Temple Hill Subsidiary Corporation	Virginia
The Valhalla Cemetery Company LLC	Alabama
The Valhalla Cemetery Subsidiary Corporation	Alabama
Tioga County Memorial Gardens LLC	Pennsylvania
Virginia Memorial Service LLC	Virginia
Virginia Memorial Service Subsidiary Corporation	Virginia
WNCI LLC	Delaware
W N C Subsidiary, Inc.	Maryland
Wicomico Memorial Parks LLC	Maryland
Wicomico Memorial Parks Subsidiary, Inc.	Maryland
Willowbrook Management Corp.	Connecticut
Woodlawn Memorial Park Subsidiary LLC	Pennsylvania

* Entity is not a StoneMor Partners L.P. subsidiary, but is a controlled nonprofit corporation, or a nonprofit corporation in which a StoneMor Partners L.P. subsidiary holds a voting interest, and to which management or operating services are provided by contract with a StoneMor Partners L.P. subsidiary.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-192670 and 333-196913 on Form S-3 and Registration Statement Nos. 333-143863, 333-176789 and 333-203018 on Form S-8 of our reports dated February 29, 2016, relating to the consolidated financial statements of StoneMor Partners L.P. and subsidiaries (the "Partnership"), and the effectiveness of the Partnership's internal control over financial reporting, appearing in the Annual Report on Form 10-K of the Partnership for the year ended December 31, 2015.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

February 29, 2016

CERTIFICATION

I, Lawrence Miller, certify that:

1. I have reviewed this annual report on Form 10-K, for the fiscal year ended December 31, 2015, of StoneMor Partners L.P.;

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: February 29, 2016

By: /s/ Lawrence Miller

Lawrence Miller
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Sean P. McGrath, certify that:

1. I have reviewed this annual report on Form 10-K, for the fiscal year ended December 31, 2015, of StoneMor Partners L.P.;

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: February 29, 2016

By: /s/ Sean P. McGrath

Sean P. McGrath

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 Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of StoneMor GP, LLC, the general partner of StoneMor Partners L.P. (the "Partnership"), does hereby certify with respect to the Annual Report of the Partnership on Form 10-K for the year ended December 31, 2015 (the "Report") that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Lawrence Miller

President and Chief Executive Officer

Date: February 29, 2016

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of StoneMor GP, LLC, the general partner of StoneMor Partners L.P. (the "Partnership"), does hereby certify with respect to the Annual Report of the Partnership on Form 10-K for the year ended December 31, 2015 (the "Report") that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Sean P. McGrath
Chief Financial Officer

Date: February 29, 2016

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**AMENDMENT NO. 1
TO THE SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF STONEMOR GP LLC**

This Amendment No. 1 (this “Amendment”) to the Second Amended and Restated Limited Liability Company Agreement (the “Agreement”) of StoneMor GP LLC, a Delaware limited liability company (the “Company”), dated as of May 21, 2014, is made and entered into as of November 17, 2015 by StoneMor GP Holdings LLC (the “Sole Member”), the Sole Member of the Company. Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement.

RECITALS

WHEREAS, for purposes of clarity, the Sole Member desires to amend the Agreement as set forth herein to clarify the relative authority of the Board and the Officers of the Company.

NOW, THEREFORE, the Agreement is hereby amended as follows:

SECTION 1. Section 7.1(c) is hereby amended and restated in its entirety as follows (with the emphasis denoting the language added to the amended and restated Section 7.1(c)):

(c) Except as otherwise specifically provided in this Agreement, the authority and functions of the Board on the one hand and of the Officers on the other shall be identical to the authority and functions of the board of directors and officers, respectively, of a corporation organized under the General Corporation Law of the State of Delaware; provided that any authority or function of the Board may be delegated by the Board to the Officers. Thus, except as otherwise specifically provided in this Agreement, the business and affairs of the Company shall be managed under the direction of the Board, and the day-to-day activities of the Company shall be conducted on the Company’s behalf by the Officers, who shall be agents of the Company. In addition to the powers that now or hereafter can be granted to managers under the Act and to all other powers granted under any other provision of this Agreement, the Board of Directors (subject to Section 7.13 and Article XIV) and the Officers (subject to Section 7.14, Article VII and the direction of the Board) shall have full power and authority to do all things on such terms as they may determine to conduct, or cause to be conducted, the business and affairs of the Company.

SECTION 2. Except as expressly modified and amended herein, all of the terms and conditions of the Agreement shall remain in full force and effect.

SECTION 3. This Amendment shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to principles of conflicts of laws.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first set forth above.

SOLE MEMBER:

STONEMOR GP HOLDINGS LLC

By: /s/ Lawrence Miller

Name: Lawrence Miller

Title: President and Chief Executive Officer

*[Signature Page to Amendment No. 1 to
Second Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC]*