

Section 1: 10-K/A (10-K/A)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
Amendment No. 1**

(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, 2018

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)

80-0103159

(I.R.S. Employer
Identification No.)

**3600 Horizon Boulevard
Trevose, Pennsylvania**

(Address of principal executive offices)

19053

(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

Name of each exchange on which registered

Common Units

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

Indicate by check mark 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/A or any amendment to this Form 10-K/A.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the common units held by non-affiliates of the registrant was approximately \$90.5 million as of June 30, 2018 based on \$6.03, the closing price per common unit as reported on the New York Stock Exchange on June 29, 2018.

The number of the registrant's outstanding common units at March 29, 2019 was 38,260,471.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the "Amendment") is being filed to amend the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the "Original 10-K"), filed by StoneMor Partners L.P. (the "Partnership") with the U.S. Securities and Exchange Commission on April 3, 2019 (the "Original Filing Date"), in two respects. First, we amended Note 1 in Part II, Item 8. Financial Statements and Supplementary Data to add a tabular presentation of the reclassification adjustments discussed in the paragraph captioned "Reclassifications and Adjustments to Prior Period Financial Statements." Second, the Report of Independent Registered Public Accounting Firm issued by Grant Thornton LLP ("Grant Thornton") and included in such Item 8 has been amended to add a new second paragraph regarding Grant Thornton's audit of the reclassification adjustments described in such Note 1 and to specify that the date of its report as to such Note 1 is August 28, 2019. This change to Grant Thornton's report does not affect Grant Thornton's unqualified opinion on the Partnership's consolidated financial statements included in the Original 10-K or the Amendment or Grant Thornton's qualified opinion on the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2018.

Except as described above, no changes have been made to the Original 10-K and the Amendment does not modify, amend or update in any way any of the financial or other information contained in the Original 10-K. The Amendment does not reflect events that may have occurred subsequent to the Original Filing Date.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the Amendment also contains new certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, which are filed and furnished herewith, respectively. Because the Amendment does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 4 and 5 of the certifications pursuant to Section 302 have been omitted.

FORM 10-K/A OF STONEMOR PARTNERS L.P.

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PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Unitholders
StoneMor Partners L.P.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of StoneMor Partners L.P. (a Delaware Partnership) and subsidiaries (the “Partnership”) as of December 31, 2018, and the related consolidated statements of operations, partners’ capital, and cash flows for the year ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited the reclassification adjustments to the 2017 financial statements to conform the presentation of consolidated results of operations to the current year presentation, as described in Note 1 under the caption *Reclassifications and Adjustments to Prior Period Financial Statements*. In our opinion, such reclassification adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Company other than with respect to such reclassification adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Partnership’s internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated April 2, 2019 expressed an adverse opinion.

Change in accounting principle

As discussed in Note 1 to the consolidated financial statements, the Partnership has changed its method of accounting for revenue recognition for the year ended December 31, 2018 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification (Topic 606), Revenue from Contracts with Customers.

Basis for opinion

These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on the Partnership’s financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Grant Thornton LLP

We have served as the Partnership’s auditor since 2018.

Philadelphia, Pennsylvania
April 2, 2019 (except for Note 1, as to which the date is August 28, 2019)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited, before the effects of the retrospective adjustments to reflect the impact of adoption of Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), as disclosed in Note 1 under captions *Reclassifications and Adjustments to Prior Period Financial Statements* and *Recently Issued Accounting Standard Updates - Adopted in the Current Period* ("Note 1") to the consolidated financial statements, the consolidated balance sheet of StoneMor Partners L.P. and subsidiaries (the "Partnership") as of December 31, 2017, the related consolidated statements of operations, partners' capital, and cash flows, for the year ended December 31, 2017, and the related notes (collectively referred to as the "financial statements") (the 2017 financial statements before the effects of the retrospective adjustments discussed in Note 1 to the financial statements are not presented herein). In our opinion, the 2017 financial statements, before the effects of the adjustments to retrospectively apply the change in accounting discussed in Note 1 to the financial statements, present fairly, in all material respects, the financial position of the Partnership as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting discussed in Note 1 to the financial statements, and accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP
Philadelphia, Pennsylvania
July 16, 2018

We began serving as the Partnership's auditor in 1999. In 2018 we became the predecessor auditor.

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

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,147	\$ 6,821
Accounts receivable, net of allowance	57,928	79,116
Prepaid expenses	4,475	4,580
Assets held for sale	757	1,016
Other current assets	17,009	21,453
Total current assets	<u>98,316</u>	<u>112,986</u>
Long-term accounts receivable, net of allowance	87,148	105,935
Cemetery property	330,841	333,404
Property and equipment, net of accumulated depreciation	112,716	114,090
Merchandise trusts, restricted, at fair value	488,248	515,456
Perpetual care trusts, restricted, at fair value	330,562	339,928
Deferred selling and obtaining costs	112,660	126,398
Deferred tax assets	86	84
Goodwill	24,862	24,862
Intangible assets	61,421	63,244
Other assets	22,241	19,695
Total assets	<u>\$ 1,669,101</u>	<u>\$ 1,756,082</u>
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 59,035	\$ 43,023
Accrued interest	1,967	1,781
Current portion, long-term debt	798	1,002
Total current liabilities	<u>61,800</u>	<u>45,806</u>
Long-term debt, net of deferred financing costs	320,248	317,693
Deferred revenues	914,286	912,626
Deferred tax liabilities	6,675	9,638
Perpetual care trust corpus	330,562	339,928
Other long-term liabilities	42,108	38,695
Total liabilities	<u>1,675,679</u>	<u>1,664,386</u>
Commitments and contingencies		
Partners' (deficit) capital :		
General partner interest	(4,008)	(2,959)
Common limited partners' interest	(2,570)	94,655
Total partners' (deficit) capital	<u>(6,578)</u>	<u>91,696</u>
Total liabilities and partners' capital	<u>\$ 1,669,101</u>	<u>\$ 1,756,082</u>

See Accompanying Notes to Consolidated Financial Statements.

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

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Cemetery:		
Interments	\$ 76,902	\$ 75,077
Merchandise	75,412	75,602
Services	67,278	70,704
Investment and other	42,343	55,313
Funeral home:		
Merchandise	25,652	27,767
Services	28,539	33,764
Total revenues	<u>316,126</u>	<u>338,227</u>
Costs and Expenses:		
Cost of goods sold	54,647	51,899
Cemetery expense	78,708	76,857
Selling expense	62,538	66,083
General and administrative expense	43,081	39,111
Corporate overhead	53,281	51,964
Depreciation and amortization	11,736	13,183
Funeral home expenses:		
Merchandise	6,579	7,131
Services	22,159	22,929
Other	15,787	19,743
Total costs and expenses	<u>348,516</u>	<u>348,900</u>
Gain on acquisitions and divestitures	691	858
Loss on goodwill impairment	—	(45,574)
Other losses, net	(12,195)	(2,045)
Operating loss	<u>(43,894)</u>	<u>(57,434)</u>
Interest expense	(30,602)	(27,345)
Loss from operations before income taxes	<u>(74,496)</u>	<u>(84,779)</u>
Income tax benefit	1,797	9,621
Net loss	<u>\$ (72,699)</u>	<u>\$ (75,158)</u>
General partner's interest	\$ (757)	\$ (782)
Limited partners' interest	\$ (71,942)	\$ (74,376)
Net loss per limited partner unit (basic and diluted)	\$ (1.90)	\$ (1.96)
Weighted average number of limited partners' units outstanding (basic and diluted)	37,959	37,948

See Accompanying Notes to Consolidated Financial Statements.

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

	Partners' Capital			
	Outstanding Common Units	Common Limited Partners	General Partner	Total
December 31, 2016	37,863,496	\$ 192,268	\$ (1,914)	\$ 190,354
Issuance of common units	—	744	—	744
Common unit awards under incentive plans	16,098	1,045	—	1,045
Net loss	—	(74,376)	(782)	(75,158)
Cash distributions	—	(24,282)	(263)	(24,545)
Unit distributions paid in kind	78,342	(744)	—	(744)
December 31, 2017	<u>37,957,936</u>	<u>\$ 94,655</u>	<u>\$ (2,959)</u>	<u>\$ 91,696</u>
Cumulative effect of accounting change	—	(27,805)	(292)	(28,097)
January 1, 2018	<u>37,957,936</u>	<u>\$ 66,850</u>	<u>\$ (3,251)</u>	<u>\$ 63,599</u>
Common unit awards under incentive plans	709	2,522	—	2,522
Net loss	—	(71,942)	(757)	(72,699)
December 31, 2018	<u>37,958,645</u>	<u>\$ (2,570)</u>	<u>\$ (4,008)</u>	<u>\$ (6,578)</u>

See Accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,	
	2018	2017
Cash Flows From Operating Activities:		
Net loss	\$ (72,699)	\$ (75,158)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Cost of lots sold	7,808	10,525
Depreciation and amortization	11,736	13,183
Provision for cancellations	7,358	6,244
Non-cash compensation expense	2,523	1,045
Non-cash interest expense	5,985	4,479
Gain on acquisitions and divestitures	(691)	(858)
Loss on goodwill impairment	—	45,574
Other losses, net	12,195	1,843
Changes in assets and liabilities:		
Accounts receivable, net of allowance	4,498	(17,074)
Merchandise trust fund	4,295	46,695
Other assets	2,618	1,410
Deferred selling and obtaining costs	(4,819)	(9,508)
Deferred revenues	37,405	(9,049)
Deferred taxes, net	(2,591)	(10,439)
Payables and other liabilities	10,836	6,064
Net cash provided by operating activities	<u>26,457</u>	<u>14,976</u>
Cash Flows From Investing Activities:		
Cash paid for capital expenditures	(12,172)	(10,789)
Cash paid for acquisitions	(1,667)	—
Proceeds from divestitures	—	1,241
Proceeds from asset sales	1,276	627
Net cash used in investing activities	<u>(12,563)</u>	<u>(8,921)</u>
Cash Flows From Financing Activities:		
Cash distributions	—	(24,545)
Proceeds from borrowings	29,880	103,292
Repayments of debt	(28,493)	(88,951)
Cost of financing activities	(3,955)	(1,600)
Net cash used in financing activities	<u>(2,568)</u>	<u>(11,804)</u>
Net increase (decrease) in cash and cash equivalents	<u>11,326</u>	<u>(5,749)</u>
Cash and cash equivalents—Beginning of period	<u>6,821</u>	<u>12,570</u>
Cash and cash equivalents—End of period	<u>\$ 18,147</u>	<u>\$ 6,821</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 25,606	\$ 22,901
Cash paid during the period for income taxes	\$ 1,725	\$ 2,756
Non-cash investing and financing activities:		
Acquisition of assets by financing	\$ 2,673	\$ 2,705
Classification of assets as held for sale	\$ 543	\$ 1,016

See Accompanying Notes to Consolidated Financial Statements.

STONEMOR PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERALNature 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, 2018, the Partnership operated 322 cemeteries in 27 states and Puerto Rico, of which 291 were owned and 31 were operated under lease, management or operating agreements. The Partnership also owned and operated 90 funeral homes, including 42 located on the grounds of cemetery properties that we own, in 17 states and Puerto Rico.

Basis of Presentation

The consolidated financial statements included in this Annual Report on Form 10-K/A have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of each of the Partnership's 100% 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 agreements. 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. 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 agreements, the Partnership will retain all of the benefits and related contractual obligations incurred from sales generated during the agreement period. The Partnership has also recognized the existing customer contract-related performance obligations that it assumed as part of these agreements.

Total revenues derived from the cemeteries under these agreements totaled approximately \$52.3 million and \$59.0 million for the years ended December 31, 2018 and 2017, respectively.

Reclassifications and Adjustments to Prior Period Financial Statements

The following reclassifications outlined in the table below were made to the consolidated statement of operations for the year ended December 31, 2017 to conform the presentation of revenues for Cemetery Operations to the corresponding presentation in the consolidated statement of operations for the year ended December 31, 2018. These reclassifications were made primarily to (1) present revenue related to interment rights separately from Merchandise revenue and (2) to reclassify revenue related to the installation of certain cemetery merchandise items from Merchandise revenue to Services revenue. These reclassifications had no further impact on the consolidated statement of operations for the year ended December 31, 2017 and had no impact on the previously reported consolidated balance sheet as of December 31, 2017 and the consolidated statement of cash flows for the year ended December 31, 2017.

Financial Statement Line Item	2017 As Previously Reported	Reclassifications	2017 As Adjusted
Revenues:			
Cemetery:			
Interments	\$ —	\$ 75,077	\$ 75,077
Merchandise	159,546	(83,944)	75,602
Services	62,435	8,269	70,704
Investment and other	54,715	598	55,313
Total Cemetery Revenues	\$ 276,696	\$ —	\$ 276,696

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Merger and Reorganization Agreement

On September 27, 2018, the Partnership, StoneMor GP LLC, a Delaware limited liability company and the general partner of the Partnership (“GP”), StoneMor GP Holdings LLC, a Delaware limited liability company and the sole member of GP (“GP Holdings”), and Hans Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of GP (“Merger Sub”), entered into a Merger and Reorganization Agreement (the “Merger Agreement”) pursuant to which, among other things, GP will convert from a Delaware limited liability company into a Delaware corporation to be named StoneMor Inc. (the “Company” when referring to StoneMor Inc. subsequent to such conversion), the Partnership will become a wholly owned subsidiary of the Company and the unitholders of the Partnership will become stockholders in the Company.

Upon the terms and subject to the conditions set forth in the Merger Agreement, GP Holdings shall contribute the 2,332,878 common units representing limited partner interests in the Partnership (the “Common Units”) owned by it (the “GP Holdings’ Common Units”) to GP and immediately following receipt thereof, GP shall contribute the GP Holdings’ Common Units to StoneMor LP Holdings, LLC, a Delaware limited liability company and wholly owned subsidiary of GP (“LP Sub”) and LP Sub shall be admitted as a limited partner of the Partnership; (ii) GP shall convert into the Company (the “Conversion”) and all of the limited liability company interests of GP held by GP Holdings prior to the Conversion shall be canceled; (iii) as part of the Conversion and before giving effect to the Merger (as defined below), GP Holdings will be the sole stockholder of StoneMor Inc. and, as consideration for the Conversion and the Merger, will receive 2,332,878 shares of common stock, par value \$0.01 per share, of StoneMor Inc. (the “Company Shares”) (subject to adjustment as provided in the Merger Agreement) with respect to the 2,332,878 Common Units held by LP Sub immediately prior to the Conversion, and 2,950,000 Company Shares (the “General Partner Shares”) (also subject to adjustment as provided in the Merger Agreement) with respect to the 1.04% general partner interest, the incentive distribution rights and the governance and all other economic and other rights associated with the general partner interest held indirectly by GP Holdings through the GP immediately prior to the Conversion.

Pursuant to the Merger Agreement, (i) any then outstanding awards of phantom units granted to a member of the GP Board under the StoneMor Partners L.P. Long-Term Incentive Plan (as amended April 19, 2010) (the “2004 Partnership Equity Plan”), (ii) any then outstanding award of Phantom Units granted to a member of the GP Board under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan (the “2014 Partnership Equity Plan”), which was also renamed the StoneMor Amended and Restated 2018 Long-Term Incentive Plan (the “Restated Plan”), (iii) any then outstanding award of Phantom Units that is not a 2004 Director Deferred Phantom Unit Award or a 2014 Director Deferred Phantom Unit Award granted under either the 2004 Partnership Equity Plan or the 2014 Partnership Equity Plan (a “Phantom Award”), (iv) any then outstanding award of restricted units (“Restricted Units”) granted under the 2014 Partnership Equity Plan, (v) any then outstanding award of unit appreciation rights (“UARs”) granted under the 2004 Partnership Equity Plan (a “UAR Award”) shall, without any required action on the part of the holder thereof, be assumed by the Company and converted into an award denominated in Company Shares.

At the Effective Time, Merger Sub shall be merged with and into the Partnership (the “Merger”), with the Partnership surviving and with the Company as its sole general partner and LP Sub as its sole holder of Common Units and each outstanding Common Unit, including certain phantom units granted to members of the GP Board under the 2004 Partnership Equity Plan but excluding any Common Units held by LP Sub, being converted into the right to receive one Company Share. All of the limited liability company interests in Merger Sub outstanding immediately prior to the Effective Time shall be converted into and become limited partner interests in the surviving entity. Following the Effective Time, the general partnership interests in the Partnership issued and outstanding immediately prior to the Effective Time shall remain outstanding and unchanged subject to such changes as are set forth in the Second Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of September 9, 2008, as amended as of November 3, 2017 (the “LPA”), and the Company shall continue to be the sole general partner of the Partnership.

Per the terms of the Merger Agreement each Party shall bear its own expenses, costs and fees (including attorneys’, auditors’ and financing fees, if any) in connection with the preparation and delivery of the Merger Agreement and compliance therewith, whether or not the transactions contemplated by the Merger Agreement are effected. The Partnership has incurred \$2.1 million in legal and other expenses for the transactions contemplated by the Merger Agreement through December 31, 2018.

Uses and Sources of Liquidity

The Partnership’s primary sources of liquidity are cash generated from operations and borrowings under its revolving credit facility. As a master limited partnership (“MLP”), the Partnership’s primary cash requirements, in addition to normal operating

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expenses, are for capital expenditures, net contributions to the merchandise and perpetual care trust funds, debt service and cash distributions. In general, as part of its operating strategy, the Partnership expects to fund:

- working capital deficits through cash generated from operations, additional borrowings, and sales of underperforming properties;
- expansion capital expenditures, net contributions to the merchandise and perpetual care trust funds and debt service obligations through available cash, cash generated from operations, additional borrowings or asset sales. Amounts contributed to the merchandise trust funds will be withdrawn at the time of the delivery of the product or service sold to which the contribution relates (see "Summary of Significant Accounting Policies" section below regarding revenue recognition), which will reduce the amount of additional borrowings or asset sales needed; and
- any cash distributions the Partnership is permitted and determines to pay in accordance with its partnership agreement and maintenance capital expenditures through available cash and cash flows from operating activities.

While the Partnership relies heavily on its cash flows from operating activities and borrowings under its credit facility to execute its operational strategy and meet its financial commitments and other short-term financial needs, the Partnership cannot be certain that sufficient capital will be generated through operations or available to the Partnership to the extent required and on acceptable terms. Moreover, although the Partnership's cash flows from operating activities have been positive, the Partnership has experienced negative financial trends which, when considered in the aggregate, raise substantial doubt about the Partnership's ability to continue as a going concern. These negative financial trends include:

- the Partnership has continued to incur net losses for the years ended December 31, 2018 and 2017 and has an accumulated deficit as of December 31, 2018, due to an increased competitive environment, an increase in professional fees and compliance costs and an increase in consulting fees associated with the Partnership's adoption and implementation of the Accounting Standard Codification ("ASC") 606, *Revenue from Contracts with Customers* incurred in the year ended December 31, 2018 and 2017;
- decline in billings coupled with the increase in professional, compliance and consulting expenses, tightened the Partnership's liquidity position and increased reliance on long-term financial obligations, which, in turn, eliminated the Partnership's ability to pay distributions;
- the Partnership's failure to comply with certain debt covenants required by the Partnership's credit facility due to the Partnership's inability to complete a timely filing of its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, as well as exceeding of the maximum consolidated leverage ratio financial covenant for the quarters ended December 31, 2017 and March 31, 2018, exceeding the maximum consolidated secured net leverage ratio financial covenant for the periods ended June 30, 2018, September 30, 2018 and December 31, 2018 and not being able to achieve the minimum consolidated fixed charge coverage ratio for the periods ended June 30, 2018, September 30, 2018 and December 31, 2018. As further disclosed in the credit facility subsection in Note 10 Long-Term Debt, these failures constituted defaults that the Partnership's lenders agreed to waive; and
- the provision for ticking fees assessed on the amount of outstanding loans made under the Tranche A Revolving Credit Facility (the "Tranche A Revolving Loans") and payable to the Tranche A Revolving Lenders (i) in-kind, by increasing the outstanding principal amount of such Lender's Tranche A Revolving Loans ("PIK") or (ii) in cash in the following amounts and on the following dates:
 - 3.00% on July 1, 2019, of which (x) 2.00% shall PIK and (y) 1.00% shall be payable in cash, unless Required Lenders agree to PIK;
 - 1.00% on August 1, 2019, payable in cash, unless the Required Lenders agree to PIK;
 - 1.00% on September 1, 2019, payable in cash, unless the Required Lenders agree to PIK; and
 - 1.00% on October 1, 2019, PIK;

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During 2018 and to date in 2019, the Partnership has implemented (and will continue to implement) various actions to improve profitability and cash flows to fund operations. A summary of these actions is as follows:

- continue to manage recurring operating expenses and seek to limit non-recurring operating expenses over the next twelve-month period, which includes the January 2019 Restructuring actions as further discussed in Note 19 Subsequent Events;
- the Partnership engaged a financial advisor to advise the Partnership in the arrangement of the refinancing in full of the obligations with respect to the Tranche A Revolving Credit Facility including debt and equity financing vehicles, however, at this time the Partnership has no commitments to obtain any additional funds, and there can be no such assurance such funds will be available on acceptable terms or at all;
- complete sales of certain assets and businesses to provide supplemental liquidity; and
- for the reasons disclosed above, the Partnership was not in compliance with certain of its amended credit facility covenants as of December 31, 2017, March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018. These failures constituted defaults that the lenders agreed to waive pursuant to the Sixth Amendment and Waiver, the Seventh Amendment and Waiver and the Eighth Amendment and Waiver to the Partnership's credit facility on June 12, 2018, July 13, 2018 and February 4, 2019, respectively, as disclosed in the credit facility subsection in Note 10 Long-Term Debt and in Note 19 Subsequent Events. Moreover, based on the Partnership's forecasted operating performance, cash flows and projected plans to file financial statements on a timely basis consistent with the debt covenants, the Partnership does not believe it is probable that the Partnership will further breach the covenants under its amended credit facility for the next twelve-month period. However, there is no certainty that the Partnership's actual operating performance and cash flows will not be substantially different from forecasted results, and no certainty the Partnership will not need further amendments to its credit facility in the future. Factors that could impact the significant assumptions used by the Partnership in assessing its ability to satisfy its financial covenants include the following:
 - operating performance not meeting reasonably expected forecasts;
 - failing to generate profitable sales;
 - investments in the Partnership's trust funds experiencing significant declines due to factors outside its control;
 - being unable to compete successfully with other cemeteries and funeral homes in the Partnership's markets;
 - the number of deaths in the Partnership's markets declining; and
 - the mix of funeral and cemetery revenues between burials and cremations.

If the Partnership's planned and implemented actions are not completed and cash savings realized and the Partnership fails to improve its operating performance and cash flows, or the Partnership is not able to comply with the covenants under its amended credit facility, the Partnership may be forced to limit its business activities, implement further modifications to its operations, further amend its credit facility and/or seek other sources of capital, and the Partnership may be unable to continue as a going concern. Additionally, a failure to generate additional liquidity could negatively impact the Partnership's access to inventory or services that are important to the operation of the Partnership's business. Given the Partnership's level of cash and cash equivalents, to preserve capital resources and liquidity, the Board of Directors of the General Partner concluded that it was not in the best interest of unitholders to pay distributions to unitholders after the first quarter of 2017. In addition, the Partnership's revolving credit facility prohibits the Partnership from making distributions to unitholders. Any of these events may have a material adverse effect on the Partnership's results of operations and financial condition. The ability of the Partnership to meet its obligations at December 31, 2018, and to continue as a going concern is dependent upon achieving the action plans noted above. The consolidated financial statements for the year ended December 31, 2018 were prepared on the basis of a going concern which contemplates that the Partnership will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, they do not give effect to adjustments, if any, that would be necessary should the Partnership be required to liquidate its assets. The ability of the Partnership to meet its obligations at December 31, 2018, and to continue as a going concern is dependent upon the availability of a refinancing in full of the obligations with respect to the Tranche A Revolving Credit Facility, continued ability to manage expenses and increased sales. As such, the consolidated financial statements included in this Annual Report on Form 10-K/A do not include any adjustments that might result from the outcome of these uncertainties.

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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 trust and perpetual care trust asset valuation, allowance for cancellations, unit-based compensation, deferred revenues, deferred merchandise trust investment earnings, deferred selling and obtaining costs, assets and liabilities obtained through business combinations, income taxes, hurricane-related losses and goodwill including any interim assessment for impairment. As a result, actual results could differ from those estimates.

Revenues

The Partnership's revenues are derived from contracts with customers through sale and delivery of death care products and services. Primary sources of revenue are derived from (1) cemetery and funeral home operations generated both at the time of death ("at-need") and prior to the time of death ("pre-need"), classified on the Statements of Operations as Interments, Merchandise and Services and (2) investment income which includes income earned on assets maintained in perpetual care and merchandise trusts related to sales of cemetery and funeral home merchandise and services occurring prior to the time of death and required to be maintained in the trust by state law as well as interest earned on pre-need installment contracts. Investment income is presented within Investment and other for Cemetery revenue and Services for Funeral home revenue

Cemetery and Funeral Home Operations

Revenue is measured based on the consideration specified in a contract with a customer, and is net of any sales incentives and amounts collected on behalf of third parties. Pre-need contracts are price guaranteed, providing for future merchandise and services at prices prevailing when the agreements are signed. The Partnership recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Sales taxes assessed by a governmental authority are excluded from revenue.

Any shipping and handling costs that are incurred after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of goods sold.

Investment income is earned on certain payments received from the customer on pre-need contracts, which are required by law to be deposited into the merchandise and service trusts. Amounts are withdrawn from the merchandise trusts when the Partnership fulfills the performance obligations. Earnings on these trust funds, which are specifically identifiable for each performance obligation, are also included in total transaction price. Pre-need contracts are generally subject to financing arrangements on an installment basis, with a contractual term not to exceed 60 months. Interest income is recognized utilizing the effective interest method. For those contracts that do not bear a market rate of interest, the Partnership imputes such interest based upon the prime rate at the time of origination plus 375 basis points in order to segregate the principal and interest component of the total contract value. The Partnership has elected to not adjust the transaction price for the effects of a significant financing component for contracts that have payment terms under one year.

At the time of a non-cancellable 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. The revenue from both the sales and interest income from trusted funds are deferred until the merchandise is delivered or the services are performed. For a sale in a cancellable state, an account receivable is only recorded to the extent control has transferred to the customer for interment rights, merchandise or services for which the Partnership has not collected cash. The amounts collected from customers in states in which pre-need contracts are cancellable may be subject to refund provisions. The Partnership estimates the fair value of its refund obligation under such contracts on a quarterly basis and records such obligations within the other long-term liabilities line item on its Condensed Consolidated Balance Sheet.

Nature of Goods and Services

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The following is a description of the principal activities, separated by reportable segments, from which the Partnership generates its revenue. As discussed more fully in Note 18 Segment Information, the Partnership operates two reportable segments: Cemetery Operations and Funeral Home Operations.

Cemetery Operations

The Cemetery Operations segment principally generates revenue from (1) providing rights to inter remains in a specific cemetery property inventory space such as burial lots and constructed mausoleum crypts (“Interments”), (2) sales of cemetery merchandise which includes markers (i.e., method of identifying a deceased person in a burial space, crypt or niche), base (i.e., the substrate upon which a marker is placed), vault (i.e., a container installed in the burial lot in which the casket is placed), caskets, cremation niches and other cemetery related items (“Merchandise”) and (3) service revenues, including opening and closing (“O&C”), a service of digging and refilling burial spaces to install the burial vault and place the casket into the vault, cremation services and fees for installation of cemetery merchandise (“Services”). Products and services may be sold separately or in packages. For packages, the Partnership accounts for individual products and services separately as they are distinct (i.e., the product or service is separately identifiable from other items in the package and the customer can benefit from it on its own or with other resources that are readily available to the customer). The consideration (including any discounts) is allocated among separate products and services in a package based on their relative stand-alone selling prices. The stand-alone selling price is determined by management based upon local market conditions and reasonable ranges for both merchandise and services which is the best estimate of the stand-alone price. For items that are not sold separately (e.g., second interment rights), the Partnership estimates stand-alone selling prices using the best estimate of market value. The Partnership estimated the stand-alone selling price using inputs such as average selling price and list price broken down by each geographic location. Additionally the Partnership considered typical sales promotions that could have impacted the stand-alone selling price estimates.

Interments revenue is recognized when control transfers, which is when the property is available for use by the customer. For pre-construction mausoleum contracts, the Partnership will only recognize revenue once the property is constructed and the customer has obtained substantially all of the remaining benefits of the property. Sales taxes collected are recognized on a net basis in our condensed consolidated financial statements.

Merchandise revenue and deferred investment earnings on merchandise trusts are recognized when a customer obtains control of the product. This usually occurs when the customer takes possession of the product (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 the Partnership). The amount of revenue recognized is adjusted for expected refunds, which are estimated based on applicable law, general business practices and historical experience observed specific to the respective performance obligation. The estimate of the refund obligation is reevaluated on a quarterly basis. In addition, we are entitled to retain, in certain jurisdictions, a portion of collected customer payments when a customer cancels a pre-need contract; these amounts are also recognized in revenue at the time the contract is cancelled.

Service revenue is recognized when the services are performed and the performance obligation is thereby satisfied.

The cost of goods sold related to merchandise and services reflects the actual cost of purchasing products and performing services and the value of cemetery property depleted through the recognized sales of interment rights. The costs related to the sales of lots and crypts are determined systematically using a specific identification method under which the total value of the underlying cemetery property and the lots available to be sold at the location are used to determine the cost per lot.

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Funeral Home Operations

Our Funeral Home Operations segment principally generates revenue from (1) sales of funeral home merchandise which includes caskets and other funeral related items (“Merchandise”) and (2) service revenues, including services such as family consultation, the removal of and preparation of remains and the use of funeral home facilities for visitation and services of remembrance (“Services”). Our funeral home operations also include revenues related to the sale of term and whole life insurance on an agency basis, in which we earn a commission from the sales of these policies. Insurance commission revenue is reported within service revenues. Products and services may be sold separately or in packages. For packages, the Partnership accounts for individual products and services separately as they are distinct (i.e., the product or service is separately identifiable from other items in the package and the customer can benefit from it on its own or with other resources that are readily available to the customer). The consideration (including any discounts) is allocated among separate products and services based on their relative stand-alone selling prices. The relative stand-alone selling price is determined by management's best estimate of the stand-alone price based upon the list price at each location. Funeral Home Operations primarily generate revenues from at-need sales.

Merchandise revenue is recognized when a customer obtains control of the product. This usually occurs when the customer takes possession of the product (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). The amount of revenue recognized is adjusted for expected refunds, which are estimated based on applicable law, general business practices and historical experience observed specific to the respective performance obligations. The estimate of the refund obligation is reevaluated on a quarterly basis.

Service revenue is recognized when the services are performed and the performance obligation is thereby satisfied.

Costs related to the delivery or performance of merchandise and services are charged to expense when merchandise is delivered or services are performed.

Deferred Selling and Obtaining Costs

The Partnership defers certain costs (i.e., commissions and bonuses) that are incremental to obtaining pre-need cemetery and funeral contracts. The Partnership calculates the deferred selling costs asset by dividing total deferred selling and obtaining expenses by total deferrable revenues and multiplying such percentage by the periodic change in gross deferred revenues. Such costs are recognized when the associated performance obligation is fulfilled based upon the net change in deferred revenues. All other selling costs are expensed as incurred. Additionally, the Partnership has elected the practical expedient of not recognizing incremental costs to obtain as incurred when the amortization period otherwise would have been one year or less.

As of December 31, 2018, we had \$112.7 million in deferred incremental direct selling costs included in *Deferred charges and other assets*. These deferred costs are classified as long-term on our Condensed Consolidated Balance Sheet because the Partnership does not control the timing of the delivery of the merchandise or performance of the services as they are generally provided at the time of need. During the year ended December 31, 2018, the Partnership recognized \$4.8 million from deferred incremental direct selling costs.

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.

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 as revenue 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 revenues. The Partnership recognizes an allowance for cancellation of receivables related to recognized contracts as an offset to revenue.

Management evaluates customer receivables for impairment based upon its historical experience, including the age of the receivables and the customers' payment histories.

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Assets Held for Sale

We classify our assets or entities as held for sale in the period in which all of the following criteria are met:

- management, having the authority to approve the action, commits to a plan to sell the asset or entity;
- the asset or entity is available for immediate sale in its present condition;
- an active program to locate a buyer and other actions required to complete the plan to sell have been initiated;
- the sale is probable and transfer is expected to be completed within one year;
- the asset or entity is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

When the disposals of an entity or components of an entity that are classified as held for sale represent a strategic shift that has, or will have, a major effect on an entity's operations and financial results, we account for such disposals as discontinued operations. Otherwise, when the held for sale criteria is met but the disposal does not meet the criteria to be treated as discontinued operations, the assets or disposal group are reclassified from the corresponding balance sheet line items to held for sale. Assets classified as held for sale are carried at the lower of cost or market, with any gain or loss recorded in "Other losses, net" in the condensed consolidated statement of operations.

The Partnership classified certain assets of two cemeteries and two funeral homes at December 31, 2018 and two cemeteries and three funeral homes at December 31, 2017 as held for sale. The contributions of revenues and earnings by these assets in 2018 and 2017 were not material. Assets held for sale consisted of the following at the date indicated (in thousands):

	<u>2018</u>	<u>2017</u>
Cemetery property	\$ 350	\$ 128
Buildings and improvements	407	718
Funeral home land	-	170
Assets held for sale	<u>\$ 757</u>	<u>\$ 1,016</u>

Cemetery Property

Cemetery property consists of developed and undeveloped cemetery land, 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 7).

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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 in 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 8).

Fair Value Measurements

The Partnership measures the available-for-sale securities held by its merchandise and perpetual care trusts at fair value on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Partnership utilizes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The categorization of the asset or liability within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. For additional disclosures for all of our available-for-sale securities, see Note 7 and Note 8.

Inventories

Inventories are classified within other current assets on the Partnership's consolidated balance sheets 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 using a first-in, first-out method. Inventories were approximately \$7.5 million and \$12.1 million at December 31, 2018 and 2017, respectively. Refer to Note 3 Impairment and Other Losses, for further information regarding impairment of inventories.

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.

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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 least annually or if impairment indicators arise 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. Management will continue to evaluate goodwill at least annually, or more frequently if events or circumstances indicate that the carrying value of a reporting unit exceeds its fair value.

In the fourth quarter of 2017, the Partnership early adopted ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350)* which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, impairment is defined as the amount by which the carrying value of the reporting unit exceeds its fair value, up to the total amount of goodwill. Additionally, during the fourth quarter of 2018, we changed our annual goodwill impairment test date from December 31st to October 1st, which necessitated completing a test as of October 1, 2018 so that no more than 12 months elapsed between annual tests.

Intangible Assets

The Partnership has other acquired intangible assets, most of which have been recognized as a result of acquisitions and long-term lease, management and operating agreements. The Partnership amortizes these intangible assets over their estimated useful lives and periodically tests them for impairment.

Accounts Payable and Accrued Liabilities

The Partnership records liabilities for expenses incurred related to the current period in accounts payable and accrued liabilities on the Partnership's consolidated balance sheets. At December 31, 2018 and 2017, accounts payable and accrued liabilities was comprised of accounts payable of \$29.8 million and \$18.5 million, respectively, accrued expenses of \$21.7 million and \$15.9 million, respectively, benefits and payroll liabilities of \$6.9 million and \$5.7 million, respectively, and tax liabilities of \$3.1 million and \$2.9 million, respectively. The \$5.6 million increase in accrued expenses related to professional fee expenses.

Deferred Revenues

Revenues from the sale of services and merchandise as well as any investment income from the merchandise trusts 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 trusts, deferred revenues include deferred revenues from pre-need sales that were entered into by entities prior to the Partnership's acquisition of those entities or the assets of those entities. The Partnership provides for a profit margin for these deferred revenues to account for the projected future costs of delivering products and providing services on pre-need contracts that the Partnership acquired through acquisition. These revenues and their associated costs are recognized when the related merchandise is delivered or services are performed and are presented on a gross basis on the consolidated statements of operations.

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

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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.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law. The Tax Act made broad and complex changes to the U.S. tax code by, among other things, reducing the federal corporate income tax rate, creating a new limitation on deductible interest expense, creating bonus depreciation that will allow for full expensing on qualified property, changing the lives of post-2017 net operating loss carryovers and imposing limitations on deductibility of certain executive compensation.

Net 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 (loss) 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.

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 in excess of available cash are not allocated to the incentive distribution rights.

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):

	Years Ended December 31,	
	2018	2017
Net loss	\$ (72,699)	\$ (75,158)
Less: Incentive distribution right ("IDR") payments to general partner	—	—
Net loss to allocate to general and limited partners	(72,699)	(75,158)
General partner's interest excluding IDRs	(757)	(782)
Net loss attributable to common limited partners	<u>\$ (71,942)</u>	<u>\$ (74,376)</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 awards, as calculated by the treasury stock or if converted methods, as applicable. These awards consist of common units that are contingently issuable upon the satisfaction of certain vesting conditions and common units issuable upon the exercise of certain unit appreciation rights awards under the terms of the Partnership's long-term incentive plans (see Note 13).

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,	
	2018	2017
Weighted average number of common limited partner units—basic	37,959	37,948
Add effect of dilutive incentive awards (1)	—	—
Weighted average number of common limited partner units—diluted	<u>37,959</u>	<u>37,948</u>

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- (1) The diluted weighted average number of limited partners' units outstanding presented on the consolidated statement of operations does not include 1,333,572 units and 289,937 units for the years ended December 31, 2018 and 2017, respectively, as their effects would be anti-dilutive.

Recently Issued Accounting Standard Updates - Adopted in the Current Period

Revenue

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In addition, these updates enhance the disclosure requirements relating to revenue recognition and related cash flows. Additionally, the new revenue standard ("ASC 606") requires the deferral of incremental direct selling costs to the period in which the related revenue is recognized. ASC 606, the new revenue standard, was effective for annual reporting periods (including interim reporting periods within those periods) beginning January 1, 2018.

The Partnership adopted the new revenue standard as of January 1, 2018 using the modified retrospective method and applying the new standard to all contracts with customers. Therefore, the comparative financial information has not been restated and continues to be reported under the accounting standards in effect that period. The Partnership elected to aggregate the effects of all contract modifications that occurred prior to the date of adoption when (i) identifying the satisfied and unsatisfied performance obligations, (ii) determining the transaction price and (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations, rather than retrospectively restating the contracts for those modifications.

The new revenue standard, as amended, requires that we recognize revenue in the amount to which we expect to be entitled for delivery of promised goods and services to our customers. The new revenue standard also resulted in enhanced revenue-related disclosures, including any significant judgments and changes in judgments. Additionally, the new revenue standard requires the deferral of incremental direct selling costs to the period in which the related revenue is recognized.

The standard primarily impacts the manner in which we recognize (a) certain nonrefundable up-front fees and (b) incremental costs to acquire pre-need and at-need contracts (i.e., selling costs). The nonrefundable fees will be deferred and recognized as revenue when the underlying goods and services are delivered to the customer. The incremental direct selling costs will be deferred and recognized by specific identification upon the delivery of the underlying goods and services. The Partnership recorded a total net impact of \$28.1 million decrease to the opening balance sheet of partners' capital which was comprised of the adjustment to deferred revenue, the adjustment to deferred selling expense, establishment of the refund liability and the corresponding tax impact. Further, under the new revenue standard, the amounts due from customers for unfulfilled performance obligations on cancellable pre-need contracts may only be recognized to the extent that control has transferred to the customer for interments, merchandise or services for which the Partnership has not collected cash. Accordingly, we reclassified approximately \$11.4 million of accounts receivable, net of allowance and \$14.1 million of long-term receivables, net of allowance for a total of \$25.5 million for unfulfilled performance obligations on cancelable preneed contracts to deferred revenue, net. As a result of adoption of the new revenue standard, we have also eliminated our previous cancellation reserve on these performance obligations in the amount of \$12.9 million, which resulted in an increase in deferred revenue and accounts receivable.

As noted above, due to the adoption of ASC 606, the Partnership recorded a \$6.4 million decrease to the opening balance of partners' capital primarily related to the timing of the recognition of nonrefundable upfront fees partially offset by an increase to the opening balance of partners' capital due to the timing of revenue recognition for interment rights which are now recognized when the property is available for use by the customer.

The Partnership recorded an \$18.6 million decrease to the opening balance of partners' capital due to the write-down of certain recoverable selling and obtaining costs that were determined not to be incremental costs to acquire under ASC 606.

In addition, the Partnership established a \$2.1 million reserve representing the fair value of the refund obligation that may arise due to state law provisions that include a guarantee of customer funds collected on unfulfilled performance obligations and maintained in trust, which may be refundable due to the exercise of customer cancellation rights. As a result, the Partnership recorded a \$3.5 million decrease to the opening balance of partners' capital and an increase in Other Long-Term Liabilities.

Additionally, the Partnership recognized a tax benefit of \$0.4 million as a result of adoption, which was an increase to the opening balance of partners' capital.

The information presented for the period prior to January 1, 2018 has not been restated and is reported under FASB ASC 605.

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The cumulative effect of adopting the new revenue standard impacted the Partnership's consolidated January 1, 2018 balance sheet as follows (in thousands):

Balance Sheet	Balance as of December 31, 2017	Impact of Adoption of FASB ASC 606	Balance as of January 1, 2018
Assets			
Current Assets:			
Cash and cash equivalents	\$ 6,821	\$ -	\$ 6,821
Accounts receivable, net of allowance	79,116	(6,122)	72,994
Prepaid expenses	4,580	-	4,580
Assets held for sale	1,016	-	1,016
Other current assets	21,453	-	21,453
Total current assets	112,986	(6,122)	106,864
Long-term accounts receivable - net of allowance	105,935	(6,527)	99,408
Cemetery property	333,404	(2,020)	331,384
Property and equipment, net of accumulated depreciation	114,090	-	114,090
Merchandise trusts, restricted, at fair value	515,456	-	515,456
Perpetual care trusts, restricted, at fair value	339,928	-	339,928
Deferred selling and obtaining costs	126,398	(18,557)	107,841
Deferred tax assets	84	7	91
Goodwill	24,862	-	24,862
Intangible assets	63,244	-	63,244
Other assets	19,695	-	19,695
Total assets	\$ 1,756,082	\$ (33,219)	\$ 1,722,863
Liabilities and partners' capital			
Current liabilities			
Accounts payable and accrued liabilities	\$ 43,023	\$ 1,329	\$ 44,352
Accrued interest	1,781	-	1,781
Current portion, long-term debt	1,002	-	1,002
Total current liabilities	45,806	1,329	47,135
Long-term debt, net of deferred financing costs	317,693	-	317,693
Deferred revenues, net	912,626	(9,558)	903,068
Deferred tax liabilities	9,638	(367)	9,271
Perpetual care trust corpus	339,928	-	339,928
Other long term liabilities	38,695	3,474	42,169
Total liabilities	1,664,386	(5,122)	1,659,264
Partners' capital			
General partner	(2,959)	(292)	(3,251)
Common partner	94,655	(27,805)	66,850
Total partners' equity	91,696	(28,097)	63,599
Total liabilities and partners' equity	\$ 1,756,082	\$ (33,219)	\$ 1,722,863

In accordance with FASB ASC 606 under the modified retrospective approach, the Partnership is required to disclose the impact of the new revenue standard by comparing the results of the current reporting period under FASB ASC 605. The impact of adopting ASC 606 on the Partnership's condensed consolidated statement of operations for the year ended December 31, 2018 is as follows:

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	Year Ended December 31, 2018		
<u>Statement of Operations</u>	<u>As Reported Under FASB ASC 606</u>	<u>Balances if Reported Under FASB ASC 605</u>	<u>Impact of Adoption</u>
Revenues:			
Cemetery:			
Interments	\$ 76,902	\$ 69,111	\$ 7,791
Merchandise	75,412	69,578	5,834
Services	67,278	68,642	(1,364)
Investment and other	42,343	53,787	(11,444)
Funeral home:			
Merchandise	25,652	25,540	112
Services	28,539	28,998	(459)
Total revenues	\$ 316,126	\$ 315,656	\$ 470
Costs and Expenses:			
Cost of goods sold	\$ 54,647	\$ 55,934	\$ (1,287)
Cemetery expenses	78,708	78,708	-
Selling expense	62,538	60,763	1,775
General and administrative expense	43,081	42,720	361
Corporate overhead	53,281	53,281	-
Depreciation and amortization	11,736	11,736	-
Funeral home expenses:			
Merchandise	6,579	6,579	-
Services	22,159	22,201	(42)
Other	15,787	15,755	32
Total costs and expenses	\$ 348,516	\$ 347,677	\$ 839
Gain on acquisitions and divestitures	\$ 691	\$ 691	
Other losses, net	(12,195)	(12,195)	-
Interest expense	(30,602)	(30,602)	-
Loss before income taxes	(74,496)	(74,127)	(369)
Income tax benefit (expense)	1,797	1,314	483
Net loss	\$ (72,699)	\$ (72,813)	\$ 114

The impact of the adoption on the December 31, 2018 balance sheet was not material. The cumulative impact of the adoption on the statement of cash flows only impacted certain line items in cash flows from operating activities. Total net cash provided by operating activities did not change as a result of the adoption. The decreased net loss of \$0.1 million for the year ended

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December 31, 2018, respectively, was offset by changes in costs of lots sold, provision for bad debt, and changes in the balances of accounts receivable, deferred selling and obtaining cost, deferred revenues and deferred taxes, net.

Financial Instruments

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 operations. The amendment was effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application was not permitted for the key aspects of the amendment. The adoption of ASU 2016-01 on January 1, 2018 did not have a material impact on the Partnership's financial position, results of operations and related disclosures. These changes in fair value will be offset by a corresponding change in deferred merchandise trust gains (losses) within "Deferred revenues, net" and in "Perpetual care trust corpus" on the Partnership's condensed consolidated balance sheet.

In the first quarter of 2018, the FASB issued Update No. 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2018-03"). The amendments clarify certain aspects of the guidance in Update 2016-01. The adoption of ASU 2018-03 on January 1, 2018 did not have a material impact on the Partnership's financial position, results of operations and related disclosures.

Cash Flows

In the third quarter of 2016, the FASB issued Update No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). The core principle of ASU 2016-15 is to provide cash flow statement classification guidance. The amendment was effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this standard on January 1, 2018 did not have a material impact on the Partnership's financial position, results of operations and related disclosures.

In the fourth quarter of 2016, the FASB issued Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"). The core principle of ASU 2016-18 is to provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The amendment was effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this standard on January 1, 2018 did not have a material impact on the Partnership's financial position, results of operations and related disclosures.

Business Combinations

In the first quarter of 2017, the FASB issued Update No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments are intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments were effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The adoption of this standard on January 1, 2018 did not have a material impact on the Partnership's financial position, results of operations and related disclosures.

Income Taxes

In the first quarter of 2018, the FASB issued Update No. 2018-05, *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118* ("ASU 2018-05"). The amendments in this update added various SEC paragraphs pursuant to the issuance of SEC Staff Accounting Bulletin No. 118. The amendment was effective upon issuance. The adoption of ASU 2018-05 on January 1, 2018, did not have a material impact on the Partnership's financial position, results of operations and related disclosures.

Recently Issued Accounting Standard Updates - Not Yet Effective as of December 31, 2018

Presentation

In August 2018, the Securities and Exchange Commission ("SEC") adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of shareholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of shareholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is

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required to be filed. The final rule was effective on November 5, 2018, as such, the Partnership plans to use the new presentation of a condensed consolidated statement of shareholders' equity within its interim financial statements beginning in its Form 10-Q for the quarter ending March 31, 2019. Other than the new presentation, the Partnership does not anticipate any material impact to its consolidated financial statements and related disclosures upon adoption.

Leases

In the first quarter of 2016, the FASB issued Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). The core principle of ASU 2016-02 is that all leases create an asset and a liability for lessees and recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases or disclosure of key information about leasing arrangements. In addition, the new standard offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This new standard will be effective for the Partnership on January 1, 2019.

In the first quarter of 2018, the FASB issued Update No. 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842 ("ASU 2018-01"). The amendments in this update provide an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under Topic 840, Leases. An entity that elects the practical expedient must evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842. An entity that does not elect this practical expedient must evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The amendments in this Update affect the amendments in Update 2016-02, which are not yet effective but may be early adopted. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in Update 2016-02. An entity that early adopted Topic 842 should apply the amendments in this Update upon issuance.

In July 2018, the FASB issued Update No. 2018-10 Codification Improvements to Topic 842, Leases ("ASU 2018-10") and issued Update No. 2018-11 Leases (Topic 842) Targeted Improvements ("ASU 2018-11"). ASU 2018-10 provides certain amendments that affect narrow aspects of the guidance issued in ASU 2016-02. ASU 2018-11 provides companies an option to apply the transition provisions of ASU 2016-02 at its adoption date instead of at the earliest comparative period presented in its financial statements and to provide lessors with a practical expedient to reduce the cost and complexity of implementing ASU 2016-02.

ASU 2016-02 provides for certain practical expedients when adopting the guidance. The Partnership plans to elect the package of practical expedients allowing the Partnership to not reassess whether any expired or existing contracts are, or contain, leases, the lease classification for any expired or existing leases or initial direct costs for any expired or existing leases. The Partnership does not plan to apply the hindsight practical expedient allowing the Partnership to use hindsight when determining the lease term (i.e., evaluating the Partnership's option to renew or terminate the lease or to purchase the underlying asset) and assessing impairment of expired or existing leases. The Partnership plans to apply the land easements practical expedient allowing the Partnership to not assess whether any expired or existing land easements are, or contain, leases if they were not previously accounted for as leases under the existing leasing guidance. Instead, the Partnership will continue to apply its existing accounting policies to historical land easements. The Partnership elects to apply the short-term lease exception; therefore, the Partnership will not record a right-of-use asset or corresponding lease liability for leases with a term of twelve months or less and instead recognize a single lease cost allocated over the lease term, generally on a straight-line basis. The Partnership plans to elect the practical expedient to not separate lease components from non-lease components and instead account for both as a single lease component for all asset classes.

The Partnership plans to adopt this guidance in the first quarter of 2019 using the optional transition method. Consequently, the Partnership's reporting for the comparative periods presented in the consolidated financial statements will continue to be in accordance with ASC Topic 840, *Leases*. The Partnership has reviewed its existing leases and has begun the implementation of a lease module that interfaces with our current general ledger system. This module will serve as our lease repository and ensure completeness of our lease population. The Partnership is completing our valuation of the right of use asset and lease liability based on the present value of the lease payments. The adoption of this guidance will result in the addition of right-of-use assets and corresponding lease obligations to the consolidated balance sheet and will not have a material impact on the Partnership's results of operations or cash flows.

Credit Losses

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In the second quarter of 2016, the FASB issued Update No. 2016-13, *Credit Losses (Topic 326)* ("ASU 2016-13"). The core principle of ASU 2016-13 is that all assets measured at amortized cost basis should be presented at the net amount expected to be collected using historical experience, current conditions and reasonable and supportable forecasts as a basis for credit loss estimates, instead of the probable initial recognition threshold used under current GAAP. The amendment is effective for annual reporting periods beginning after December 15, 2019. Early application is permitted. The Partnership plans to adopt the requirements of ASU 2016-13 upon its effective date of January 1, 2020, and is evaluating the potential impact of the adoption on its financial position, results of operations and related disclosures.

2. ACQUISITIONS

On January 19, 2018, the Partnership acquired six cemetery properties in Wisconsin and their related assets, net of certain assumed liabilities, for cash consideration of \$2.5 million, of which \$0.8 million was paid at closing. These properties had been managed by the Partnership since August 2016. The Partnership has accounted for the purchase of these properties, which were not material individually or in the aggregate, under the acquisition method of accounting. The Partnership did not complete any acquisitions during the year ended December 31, 2017.

3. IMPAIRMENT & OTHER LOSSES

Inventory

Merchandise is sold to both at-need and pre-need customers. Merchandise allocated to service pre-need contractual obligations is recorded at cost and managed and stored by the Partnership until the Partnership services the underlying customer contract.

Merchandise stored at certain locations may be exposed to changes in weather conditions. Primarily due to weather related deterioration over a number of years, the Partnership recorded inventory impairment charges of approximately \$3.4 million for the year ended December 31, 2018. This impairment loss related to damaged and excess inventory and is included in cost of goods sold for the year ended December 31, 2018 in the accompanying consolidated statements of operations as this merchandise was utilized to fulfill the Partnership's contractual obligations to at-need and pre-need customers.

Due to enhanced inventory control procedures implemented in late 2018, the Partnership determined that certain merchandise inventory allocated to pre-need customers had been damaged due to weather related deterioration occurring over a number of years or had otherwise been deemed impractical for use by management as a result of past operating practices relating to inventory. During the 2018, the Partnership recorded an estimated impairment loss of approximately \$8.9 million related to this damaged and unusable merchandise. The impairment loss is included in other losses in the accompanying consolidated statement of operations for the year ended December 31, 2018. The loss recorded represents management's best estimate. This impairment was based on estimates and assumptions that have been deemed reasonable by management and included percentages of merchandise deemed unusable. Management's assessment process relied on estimates and assumptions that are inherently uncertain, and unanticipated events or circumstances may occur that might cause the Partnership to change those estimates and assumptions.

Impairment of Long-Lived Assets

The Partnership recorded an impairment of cemetery property due to circumstances which indicated that the assets carrying value may not be recovered. The Partnership recorded a \$2.8 million impairment charge included in "Other losses, net on the consolidated statement of operations during the year ended December 31, 2018, as the sum of future undiscounted cash flows were less than the carrying value of the asset.

Assets Held for Sale

The Partnership recorded a loss on impairment of \$0.2 million and \$1.0 million in "Other losses, net" in December 31, 2018 and 2017 respectively because the net book value of the assets of two of these funeral home properties exceeded their estimated fair value.

In addition, for those assets that do not currently meet the classification as discontinued operations or held for sale but where, as a result of strategic discussions with third parties, information is identified that an asset may be impaired, an interim assessment of impairment is performed to determine whether the carrying value is impaired. During 2018 and 2017, the Partnership conducted an interim assessment with regards to certain assets held for use. As a result of 2017 assessment of two funeral homes

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with a net book value of \$0.9 million and recognized a loss on impairment of \$0.4 million in "Other losses, net" on the consolidated statement of operations during the year ended December 31, 2017, resulting in an updated net book value of \$0.5 million. During the year ended December 31, 2018, there was no loss on impairment recognized by Partnership.

4. ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

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

	December 31,	
	2018	2017
Customer receivables ⁽¹⁾	\$ 167,017	\$ 225,380
Unearned finance income ⁽¹⁾	(17,000)	(20,534)
Allowance for contract cancellations ⁽¹⁾	(4,941)	(19,795)
Accounts receivable, net of allowance	145,076	185,051
Less: Current portion, net of allowance	57,928	79,116
Long-term portion, net of allowance	\$ 87,148	\$ 105,935

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

	Years Ended December 31,	
	2018	2017
Balance, beginning of period ⁽¹⁾	\$ 19,795	\$ 26,153
Cumulative effect of accounting changes	(12,876)	—
Provision for bad debt ⁽¹⁾	7,358	6,244
Charge-offs, net	(9,336)	(12,602)
Balance, end of period	\$ 4,941	\$ 19,795

- ⁽¹⁾ Upon adoption of ASC 606, the Partnership reclassified amounts due from customers for unfulfilled performance obligations on cancellable pre-need contracts to deferred revenue, net. As a result, the Partnership also eliminated the allowance for cancellation of these performance obligations. As the Partnership is now presenting the accounts receivable net of cancellable contracts, the allowance for cancellations was removed and the allowance on accounts receivable is represented by the provision for bad debt.

5. CEMETERY PROPERTY

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

	December 31,	
	2018	2017
Cemetery land	\$ 255,708	\$ 256,856
Mausoleum crypts and lawn crypts	75,133	76,548
Cemetery property	\$ 330,841	\$ 333,404

Due to the hurricanes in Florida and Puerto Rico during September 2017, the Partnership incurred damages at certain locations of \$0.8 million, which was substantially covered by insurance proceeds.

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6. PROPERTY AND EQUIPMENT

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

	December 31,	
	2018	2017
Buildings and improvements	\$ 129,971	\$ 125,337
Furniture and equipment	58,706	57,514
Funeral home land	14,185	14,185
Property and equipment, gross	202,862	197,036
Less: Accumulated depreciation	(90,146)	(82,946)
Property and equipment, net of accumulated depreciation	\$ 112,716	\$ 114,090

Depreciation expense was \$9.9 million and \$10.9 million for the years ended December 31, 2018 and 2017, respectively.

7. MERCHANDISE TRUSTS

At December 31, 2018 and 2017, 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.

All of these investments are carried at fair value. All of these investments subject to the fair value hierarchy are considered either Level 1 or Level 2 assets pursuant to the three-level hierarchy described in Note 15. There were no Level 3 assets.

As discussed in Note 1, when we receive a payment from a customer, we deposit the amount required by law into the merchandise trusts that may be subject to cancellation on demand by the customer. The Partnership's merchandise trusts related to states in which customers may cancel contracts with us comprise 53.3% of the total merchandise trust as of December 31, 2018.

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

The Partnership included \$8.7 million and \$9.1 million of investments held in trust as required by law by the West Virginia Funeral Directors Association at December 31, 2018 and December 31, 2017, respectively in its merchandise trust assets. 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, 2018 and 2017 is presented below (in thousands):

	Years Ended December 31,	
	2018	2017
Balance—beginning of period	\$ 515,456	\$ 507,079
Contributions	66,408	59,983
Distributions	(79,862)	(81,634)
Interest and dividends	27,228	24,762
Capital gain distributions	543	1,149
Realized gains and losses, net	(1,012)	17,762
Other than temporary impairment	(28,555)	—
Taxes	(347)	(1,272)
Fees	(3,855)	(3,095)
Unrealized change in fair value	(7,756)	(9,278)
Balance—end of period	\$ 488,248	\$ 515,456

During the years ended December 31, 2018 and 2017, purchases of available for sale securities were approximately \$117.7 million and \$374.5 million, respectively. During the years ended December 31, 2018 and 2017, sales, maturities and paydowns of available for sale securities were approximately \$109.5 million and \$368.1 million, respectively. Cash flows from pre-need contracts are presented as operating cash flows in our consolidated statement of cash flows.

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The cost and market value associated with the assets held in the merchandise trusts as of December 31, 2018 and 2017 were as follows (in thousands):

	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2018					
Short-term investments	1	\$ 16,903	\$ —	\$ —	\$ 16,903
Fixed maturities:					
U.S. governmental securities	2	392	-	(147)	245
Corporate debt securities	2	1,311	29	(328)	1,012
Total fixed maturities		1,703	29	(475)	1,257
Mutual funds—debt securities	1	187,840	262	(2,645)	185,457
Mutual funds—equity securities	1	45,023	110	(18)	45,115
Other investment funds (1)		210,655	388	(7,784)	203,259
Equity securities	1	18,097	1,327	(213)	19,211
Other invested assets	2	8,398	2	(17)	8,383
Total investments		\$ 488,619	\$ 2,118	\$ (11,152)	\$ 479,585
West Virginia Trust Receivable		8,663	—	—	8,663
Total		\$ 497,282	\$ 2,118	\$ (11,152)	\$ 488,248

- (1) Other investment funds are measured at fair value using the net asset value per share practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet. This asset class is composed of fixed income funds and equity funds, which have redemption periods ranging from 1 to 30 days, and private credit funds, which have lockup periods of two to seven years with three potential one year extensions at the discretion of the funds' general partners. As of December 31, 2018, there were \$71.0 million in unfunded commitments to the private credit funds, which are callable at any time.

	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017					
Short-term investments	1	\$ 10,421	\$ —	\$ —	\$ 10,421
Fixed maturities:					
U.S. governmental securities	2	196	1	(65)	132
Corporate debt securities	2	1,204	52	(242)	1,014
Total fixed maturities		1,400	53	(307)	1,146
Mutual funds—debt securities	1	222,450	1,522	(1,211)	222,761
Mutual funds—equity securities	1	71,500	2,399	(6,292)	67,607
Other investment funds (1)		171,044	522	(401)	171,165
Equity securities	1	21,808	2,715	(277)	24,246
Other invested assets	2	9,013	—	—	9,013
Total investments		\$ 507,636	\$ 7,211	\$ (8,488)	\$ 506,359
West Virginia Trust Receivable		9,097	—	—	9,097
Total		\$ 516,733	\$ 7,211	\$ (8,488)	\$ 515,456

- (1) Other investment funds are measured at fair value using the net asset value per share practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet. This asset class is composed of fixed income funds and equity funds which have redemption periods ranging from 1 to 90 days, and private credit funds, which have lockup periods of four to eight years with two potential one year extensions at the discretion of the funds' general partners. As of December 31, 2017, there were \$52.1 million in unfunded commitments to the private credit funds, which are callable at any time.

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The contractual maturities of debt securities as of December 31, 2018 and 2017 were as follows below (in thousands):

	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
December 31, 2018				
U.S. governmental securities	\$ —	\$ 137	\$ 108	\$ —
Corporate debt securities	68	873	55	16
Total fixed maturities	<u>\$ 68</u>	<u>\$ 1,010</u>	<u>\$ 163</u>	<u>\$ 16</u>

	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
December 31, 2017				
U.S. governmental securities	\$ —	\$ 78	\$ 54	\$ —
Corporate debt securities	76	801	125	11
Total fixed maturities	<u>\$ 76</u>	<u>\$ 879</u>	<u>\$ 179</u>	<u>\$ 11</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 as of December 31, 2018 and 2017 is presented below (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2018						
Fixed maturities:						
U.S. governmental securities	\$ —	\$ —	\$ 243	\$ 147	\$ 243	\$ 147
Corporate debt securities	103	2	549	326	652	328
Total fixed maturities	103	2	792	473	895	475
Mutual funds—debt securities	46,005	2,011	1,195	634	47,200	2,645
Mutual funds—equity securities	131	18	—	—	131	18
Other investment funds	169,929	7,784	—	—	169,929	7,784
Equity securities	-	-	597	213	597	213
Other invested assets	-	4	790	13	790	17
Total	<u>\$ 216,168</u>	<u>\$ 9,819</u>	<u>\$ 3,374</u>	<u>\$ 1,333</u>	<u>\$ 219,542</u>	<u>\$ 11,152</u>

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2017						
Fixed maturities:						
U.S. governmental securities	\$ —	\$ —	\$ 112	\$ 65	\$ 112	\$ 65
Corporate debt securities	150	50	361	192	511	242
Total fixed maturities	150	50	473	257	623	307
Mutual funds—debt securities	102,526	912	1,462	299	103,988	1,211
Mutual funds—equity securities	51,196	6,292	—	—	51,196	6,292
Other investment funds	48,140	401	—	—	48,140	401
Equity securities	2,906	255	390	22	3,296	277
Total	<u>\$ 204,918</u>	<u>\$ 7,910</u>	<u>\$ 2,325</u>	<u>\$ 578</u>	<u>\$ 207,243</u>	<u>\$ 8,488</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, 2018, the Partnership determined, based on its review, that there were 214 securities with an aggregate cost basis of approximately \$285.5 million and an aggregate fair value of approximately \$256.9 million, resulting in

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an impairment of \$28.6 million, with such impairment considered to be other-than-temporary due to credit indicators. Accordingly, the Partnership adjusted the cost basis of these assets to their current value and offset this change against deferred merchandise trust revenue. This adjustment to deferred revenue 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. During the year ended December 31, 2017, the Partnership determined that there were no other than temporary impairments to the investment portfolio in the merchandise trust.

8. PERPETUAL CARE TRUSTS

At December 31, 2018 and 2017, 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.

All of these investments are carried at fair value. All of the investments subject to the fair value hierarchy are considered either Level 1 or Level 2 assets pursuant to the three-level hierarchy described in Note 15. 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, 2018 and 2017 is presented below (in thousands):

	Years Ended December 31,	
	2018	2017
Balance—beginning of period	\$ 339,928	\$ 333,780
Contributions	13,162	9,505
Distributions	(18,390)	(17,491)
Interest and dividends	22,198	17,978
Capital gain distributions	808	708
Realized gains and losses, net	473	1,061
Other than temporary impairment	(18,038)	—
Taxes	(237)	(252)
Fees	(4,412)	(2,280)
Unrealized change in fair value	(4,930)	(3,081)
Balance—end of period	<u>\$ 330,562</u>	<u>\$ 339,928</u>

During the years ended December 31, 2018 and 2017, purchases of available for sale securities were approximately \$59.4 million and \$86.0 million, respectively. During the years ended December 31, 2018 and 2017, sales, maturities and paydowns of available for sale securities were approximately \$51.1 million and \$69.2 million, respectively. Cash flows from perpetual care trust related contracts are presented as operating cash flows in our consolidated statement of cash flows.

The cost and market value associated with the assets held in the perpetual care trusts as of December 31, 2018 and 2017 were as follows (in thousands):

December 31, 2018	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments	1	\$ 12,835	\$ —	\$ —	\$ 12,835
Fixed maturities:					
U.S. governmental securities	2	960	4	(121)	843
Corporate debt securities	2	4,883	161	(321)	4,723
Total fixed maturities		<u>5,843</u>	<u>165</u>	<u>(442)</u>	<u>5,566</u>
Mutual funds—debt securities	1	108,451	227	(837)	107,841
Mutual funds—equity securities	1	19,660	304	(142)	19,822
Other investment funds (1)		165,284	3,039	(4,607)	163,716
Equity securities	1	20,025	826	(145)	20,706
Other invested assets	2	56	20	—	76
Total investments		<u>\$ 332,154</u>	<u>\$ 4,581</u>	<u>\$ (6,173)</u>	<u>\$ 330,562</u>

(1) Other investment funds are measured at fair value using the net asset value per share practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet. This asset class is composed of fixed income

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funds and equity funds, which have a redemption period ranging from 1 to 30 days, and private credit funds, which have lockup periods ranging from two to eight years with three potential one year extensions at the discretion of the funds' general partners. As of December 31, 2018 there were \$94.5 million in unfunded commitments to the private credit funds, which are callable at any time.

	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017					
Short-term investments	1	\$ 9,456	\$ —	\$ —	\$ 9,456
Fixed maturities:					
U.S. governmental securities	2	506	4	(46)	464
Corporate debt securities	2	5,365	148	(191)	5,322
Total fixed maturities		5,871	152	(237)	5,786
Mutual funds—debt securities	1	141,511	1,974	(712)	142,773
Mutual funds—equity securities	1	32,707	1,757	(1,771)	32,693
Other investment funds (1)		124,722	2,630	(533)	126,819
Equity securities	1	22,076	1,648	(1,570)	22,154
Other invested assets	2	247	—	—	247
Total investments		\$ 336,590	\$ 8,161	\$ (4,823)	\$ 339,928

(1) Other investment funds are measured at fair value using the net asset value per share practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet. This asset class is composed of fixed income funds and equity funds, which have a redemption period ranging from 1 to 90 days, and private credit funds, which have lockup periods ranging from four to ten years with three potential one year extensions at the discretion of the funds' general partners. As of December 31, 2017 there were \$92.2 million in unfunded commitments to the private credit funds, which are callable at any time.

The contractual maturities of debt securities as of December 31, 2018 and 2017, were as follows below (in thousands):

	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
December 31, 2018				
U.S. governmental securities	\$ —	\$ 416	\$ 395	\$ 32
Corporate debt securities	705	3,702	265	51
Total fixed maturities	\$ 705	\$ 4,118	\$ 660	\$ 83

	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
December 31, 2017				
U.S. governmental securities	\$ —	\$ 263	\$ 163	\$ 38
Corporate debt securities	708	4,280	338	97
Total fixed maturities	\$ 708	\$ 4,543	\$ 501	\$ 135

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 debt and equity securities within the perpetual care trusts as of December 31, 2018 and 2017 is presented below (in thousands):

	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
December 31, 2018						
Fixed maturities:						
U.S. governmental securities	\$ —	\$ —	\$ 790	\$ 121	\$ 790	\$ 121
Corporate debt securities	405	15	2,902	306	3,307	321
Total fixed maturities	405	15	3,692	427	4,097	442
Mutual funds—debt securities	21,867	591	2,814	246	24,681	837
Mutual funds—equity securities	1,382	141	—	1	1,382	142
Other investment funds	101,536	4,607	—	—	101,536	4,607
Equity securities	241	16	583	129	824	145
Total	<u>\$ 125,431</u>	<u>\$ 5,370</u>	<u>\$ 7,089</u>	<u>\$ 803</u>	<u>\$ 132,520</u>	<u>\$ 6,173</u>

	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
December 31, 2017						
Fixed maturities:						
U.S. governmental securities	\$ —	\$ —	\$ 399	\$ 46	\$ 399	\$ 46
Corporate debt securities	994	20	2,271	171	3,265	191
Total fixed maturities	994	20	2,670	217	3,664	237
Mutual funds—debt securities	37,090	289	12,793	423	49,883	712
Mutual funds—equity securities	16,668	1,754	36	17	16,704	1,771
Other investment funds	42,606	533	—	—	42,606	533
Equity securities	9,516	1,510	112	60	9,628	1,570
Total	<u>\$ 106,874</u>	<u>\$ 4,106</u>	<u>\$ 15,611</u>	<u>\$ 717</u>	<u>\$ 122,485</u>	<u>\$ 4,823</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, 2018, the Partnership determined that there were 176 securities with an aggregate cost basis of approximately \$181.4 million and an aggregate fair value of approximately \$163.3 million, resulting in an impairment of \$18.1 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. During the year ended December 31, 2017, the Partnership determined that there were no other-than-temporary impairments to the investment portfolio in the perpetual care trusts.

9. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Partnership has recorded goodwill of approximately \$24.9 million as of December 31, 2018 and 2017. This amount represents the excess of the purchase price over the fair value of identifiable net assets acquired.

The changes in the carrying amounts of goodwill by reportable segment were as follows (in thousands):

	<u>Cemetery Operations</u>	<u>Funeral Home Operations</u>	<u>Total</u>
December 31, 2016	24,862	45,574	70,436
Impairment of goodwill	—	(45,574)	(45,574)
December 31, 2017	<u>\$ 24,862</u>	<u>\$ —</u>	<u>\$ 24,862</u>
Activity	—	—	—
December 31, 2018	<u>\$ 24,862</u>	<u>\$ —</u>	<u>\$ 24,862</u>

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The Partnership tests goodwill for impairment at each year end by comparing its reporting units' estimated fair values to carrying values. The Partnership completed its annual goodwill impairment assessment as of October 1, 2018 and concluded that goodwill was not impaired. The Partnership will continue to evaluate the goodwill at least annually or more frequently if impairment indicators arise.

As a result of such assessment during 2017, management concluded that the carrying amount of the goodwill related to the Funeral Home Operations reporting unit was greater than its fair value. Based on the discounted cash flow method of the income approach to valuation, management and the audit committee determined the fair value of the Funeral Home Operations reporting unit and concluded that the goodwill was fully impaired. This impairment charge will not result in any current or future cash expenditures. Consideration was given within the valuation of the Funeral Home Operations reporting unit to the changes made during 2017 to the pre-need sales funding structure, erosion of market capitalization and achievability of the reporting unit's forecasted EBITDA margin relative to its historical operating performance.

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, 2018 and 2017 (in thousands):

	December 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets
Lease and management agreements	\$ 59,758	\$ (4,565)	\$ 55,193	\$ 59,758	\$ (3,569)	\$ 56,189
Underlying contract value	6,239	(1,482)	4,757	6,239	(1,326)	4,913
Non-compete agreements	2,853	(2,603)	250	5,016	(4,156)	860
Other intangible assets	1,577	(356)	1,221	1,777	(495)	1,282
Total intangible assets	<u>\$ 70,427</u>	<u>\$ (9,006)</u>	<u>\$ 61,421</u>	<u>\$ 72,790</u>	<u>\$ (9,546)</u>	<u>\$ 63,244</u>

Amortization expense for intangible assets was \$1.8 million and \$2.2 million for the years ended December 31, 2018 and 2017, respectively. The following is estimated amortization expense related to intangible assets with finite lives for the periods noted below (in thousands):

2019	\$ 1,398
2020	\$ 1,278
2021	\$ 1,213
2022	\$ 1,210
2023	\$ 1,206

10. LONG-TERM DEBT

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

	December 31,	
	2018	2017
Credit facility	\$ 155,739	\$ 153,423
7.875% Senior Notes, due June 2021	173,613	173,098
Notes payable—acquisition debt	92	304
Notes payable—acquisition non-competes	-	378
Insurance and vehicle financing	1,294	1,280
Less deferred financing costs, net of accumulated amortization	(9,692)	(9,788)
Total debt	<u>321,046</u>	<u>318,695</u>
Less current maturities	(798)	(1,002)
Total long-term debt	<u>\$ 320,248</u>	<u>\$ 317,693</u>

Credit Facility

On August 4, 2016, our 100% owned subsidiary, StoneMor Operating LLC (the "Operating Company") entered into a Credit Agreement (the "Original Credit Agreement") among each of the Subsidiaries of the Operating Company (together with the

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Operating Company, “Borrowers”), the Lenders identified therein, Capital One, National Association (“Capital One”), as Administrative Agent, Issuing Bank and Swingline Lender, Citizens Bank N.A., as Syndication Agent, and TD Bank, N.A. and Raymond James Bank, N.A., as Co-Documentation Agents. In addition, on the same date, the Partnership, the Borrowers and Capital One, as Administrative Agent, entered into the Guaranty and Collateral Agreement (the “Guaranty Agreement,” and together with the Credit Agreement, “New Agreements”). Capitalized terms which are not defined in the following description of the New Agreements shall have the meaning assigned to such terms in the New Agreements, as amended.

On March 15, 2017, the Borrowers, Capital One, as Administrative Agent and acting in accordance with the written consent of the Required Lenders, entered into the First Amendment to Credit Agreement. Those parties subsequently entered into a Second Amendment and Limited Waiver on July 26, 2017, a Third Amendment and Limited Waiver effective as of August 15, 2017, a Fourth Amendment to Credit Agreement dated September 29, 2017, a Fifth Amendment to Credit Agreement dated as of December 22, 2017 but effective as of September 29, 2017, a Sixth Amendment and Waiver to Credit Agreement dated June 12, 2018 and a Seventh Amendment and Waiver to the Credit Agreement dated July 13, 2018. We refer to the Original Credit Agreement, as so amended, as the “Original Amended Agreement.” On February 4, 2019, the Partnership, the Borrowers, Capital One, as Administrative Agent and the Lenders entered into an Eighth Amendment and Waiver to Credit Agreement (the “Eighth Amendment”). See Note 19 for a detailed discussion of the changes to the Original Amended Agreement effected by the Eighth Amendment.

The Original Amended Agreement provided for up to \$175.0 million initial aggregate amount of Revolving Commitments, which were subject to borrowing base limitations. Prior to the Eighth Amendment, the Operating Company could also request the issuance of Letters of Credit for up to \$15.0 million in the aggregate, of which there were \$9.4 million outstanding at December 31, 2018 and \$7.5 million outstanding at December 31, 2017. Prior to the Eighth Amendment, the Maturity Date under the Original Amended Agreement was the earlier of (i) August 4, 2021 and (ii) the date that is six months prior to the earliest scheduled maturity date of any outstanding Permitted Unsecured Indebtedness (at present, such date is December 1, 2020, which is six months prior to the June 1, 2021 maturity date of outstanding 7.875% senior notes).

As of December 31, 2018, the outstanding amount of borrowings under the Original Amended Agreement was \$155.7 million, which was used to pay down outstanding obligations under the Partnership’s prior credit agreement, to pay fees, costs and expenses related to the New Agreements and to fund working capital needs. Prior to the Eighth Amendment, proceeds of the Loans under the Original Amended Agreement could be used to finance the working capital needs and for other general corporate purposes of the Borrowers and Guarantors, including acquisitions and distributions permitted under the Original Amended Agreement.

Each Borrowing under the Original Amended Credit Agreement is comprised of Base Rate Loans or Eurodollar Loans. The Loans comprising each Base Rate Borrowing (including each Swingline Loan) bear interest at the Base Rate plus the Applicable Rate, and the Loans comprising each Eurodollar Borrowing bear interest at the Eurodollar Rate plus the Applicable Rate.

Prior to the Sixth Amendment and Waiver, the Applicable Rate was determined based on the Consolidated Leverage Ratio of the Partnership and its Subsidiaries and ranged from 1.75% to 3.75% for Eurodollar Rate Loans and 0.75% to 2.75% for Base Rate Loans and between 0.30% and 0.50% for unused commitment fee. The Sixth Amendment and Waiver redetermined the Applicable Rate based on the Consolidated Secured Net Leverage Ratio of the Partnership and its Subsidiaries and increased the minimum and maximum Applicable Rate by 0.50% to be in the range between 2.25% to 4.25% for Eurodollar Rate Loans and 1.25% to 3.75% for Base Rate Loans (but in no event less that the Applicable Rate that would be in effect if calculated as set forth in the Original Amended Agreement not giving effect to the Sixth Amendment and Waiver and the Seventh Amendment and Waiver). As of December 31, 2018, the Applicable Rate for Eurodollar Rate Loans was 4.25% and for Base Rate Loans was 3.25%. Prior to the Eighth Amendment, the Original Amended Agreement also required the Borrowers to pay a quarterly unused commitment fee, which accrued at the Applicable Rate on the amount by which the commitments under the Original Amended Agreement exceeded the usage of such commitments, and which is included within interest expense on the Partnership’s condensed consolidated statements of operations. On December 31, 2018, the weighted average interest rate on outstanding borrowings under the Original Amended Agreement was 7.2%

Prior to the Eighth Amendment, the Original Amended Agreement contained financial covenants, pursuant to which the Partnership will not permit:

- until June 12, 2018, the ratio of Consolidated Funded Indebtedness (net of unrestricted cash and cash equivalents in an of up to \$5.0 million) to Consolidated EBITDA, or the Consolidated Leverage Ratio, as of the last day of any fiscal quarter, commencing on September 30, 2016, determined for the period of four consecutive fiscal quarters ending on such date (the “Measurement Period”), to be greater than 4.25 to 1.00 for periods ended in 2018 and 4.00 to 1:00 for the period ended March 31, 2018;

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- after June 12, 2018, the ratio of Consolidated Secured Funded Indebtedness to Consolidated EBITDA, or the Consolidated Secured Net Leverage Ratio, to be greater than 5.75:1.00 for the period ended June 30, 2018 and the period ended September 30, 2018, 5.50:1.00 for the period ended December 31, 2018, 5.00:1.00 for periods ending in fiscal 2019 and 4.50:1.00 for periods ending in fiscal 2020;
- until June 12, 2018, the ratio of Consolidated EBITDA to Consolidated Debt Service, or the Consolidated Debt Service Coverage Ratio, as of the last day of any fiscal quarter, commencing on September 30, 2016 to be less than 2.50 to 1.00 for any Measurement Period; and
- the ratio of Consolidated EBITDA (reduced, among other things, by the amount of maintenance and growth capital expenditures not financed with debt (other than Revolving Commitments), taxes and certain restricted payments including distributions paid in cash) to Consolidated Fixed Charges, or the Consolidated Fixed Charge Coverage Ratio, as of the last day of any fiscal quarter, commencing on December 31, 2017, to be less than 1:00 to 1:00 for any Measurement Period in 2018, 1:10 to 1:00 for any Measurement Period in 2019 and 1.20 to 1.00 for any Measurement Period in 2020.

Additional covenants include customary limitations, subject to certain exceptions, on, among others: (i) the incurrence of Indebtedness; (ii) granting of Liens; (iii) fundamental changes and dispositions; (iv) investments, loans, advances, guarantees and acquisitions; (v) swap agreements; (vi) transactions with Affiliates; (vii) Restricted Payments; (viii) restrictive agreements; (ix) amendments to organizational documents and indebtedness; (x) prepayment of indebtedness; and (xi) Sale and Leaseback Transactions. The Original Amended Agreement also prohibited distributions to the Partnership's partners unless the Consolidated Leverage Ratio (determined based on Consolidated EBITDA calculated giving effect to amendments under the Sixth Amendment) was not greater than 7.50:1.00 and the Revolving Credit Availability was at least \$25.0 million.

The Borrowers' obligations under the Original Amended Agreement are guaranteed by the Partnership and the Borrowers. Pursuant to the Guaranty Agreement, the Borrowers' obligations under the Original Amended Agreement are secured by a first priority lien and security interest (subject to permitted liens and security interests) in substantially all of the Partnership's and Borrowers' assets, whether then owned or thereafter acquired, excluding certain excluded assets, which include, among others: (i) Trust Accounts, certain proceeds required by law to be placed into such Trust Accounts and funds held in such Trust Accounts; and (ii) Excluded Real Property, including owned and leased real property that may not be pledged as a matter of law.

The Partnership was not in compliance with the facility's maximum Consolidated Leverage Ratio for the periods ended March 31, 2018 and December 31, 2017, which constituted defaults that the lenders agreed to waive pursuant to the Sixth Amendment and Waiver. In addition, the Partnership's failure to timely file its 2017 Annual Report on Form 10-K and its Quarterly Report on Form 10-Q for the period ended March 31, 2018 constituted defaults under its revolving credit facility. Under the Sixth Amendment and Waiver, the lenders agreed to waive such defaults and extend the dates by which certain reports were required to be filed, and under the Seventh Amendment and Waiver, the lenders agreed to waive our failure to timely file the 2017 Annual Report on Form 10-K on or before the previously extended filing deadline and agreed to further extend the dates by which certain reports were required to be filed. Under the Eighth Amendment and Waiver, the lenders agreed to waive defaults resulting from our failure to comply with the facility's maximum Consolidated Secured Net Leverage Ratio and minimum Consolidated Fixed Charge Coverage Ratio for the periods ended June 30, September 30 and December 31, 2018 and our failure to timely file the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018 on or before the previously extended filing deadlines and agreed to further extend the dates by which these reports were required to be filed. See Note 19 in Part II, Item 8. Financial Statements and Supplementary Data, for further detail regarding the extended filing deadlines for our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2018 and September 30, 2018.

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 of the Senior Notes 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.

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The Partnership may redeem the Senior Notes at any time, 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>
2018	101.969%
2019 and thereafter	100.000%

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.

The Senior Notes are jointly and severally guaranteed by certain of the Partnership's 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, among other items. As of December 31, 2018, the Partnership was in compliance with these covenants.

11. INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law. The Tax Act made broad and complex changes to the U.S. tax code by, among other things, reducing the federal corporate income tax rate, creating a new limitation on deductible interest expense, creating bonus depreciation that will allow for full expensing on qualified property, changing the lives of post-2017 net operating loss carryovers and imposing limitations on deductibility of certain executive compensation.

The Tax Act reduced the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. As a result of the reduction in the U.S. corporate income tax rate, the Partnership re-measured its ending net deferred tax liabilities at December 31, 2017 at the rate at which they are expected to reverse in the future and recognized a non-cash tax benefit of \$6.5 million, in 2017. As of December 31, 2018, the re-measurement of the ending net deferred tax liabilities are completed in accordance with SAB 118 and no material adjustment related to the re-measurement were noted. In 2018 the partnership recognized a benefit for post 2017 federal net operating losses and deferred tax assets which offset long life deferred tax liabilities of approximately of \$3.1 million.

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.

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Income tax benefit for the years ended December 31, 2018 and 2017 consisted of the following (in thousands):

	Years Ended December 31,	
	2018	2017
Current provision:		
State	\$ (693)	\$ (681)
Federal	—	—
Foreign	(101)	(137)
Total	<u>(794)</u>	<u>(818)</u>
Deferred provision:		
State	(23)	(373)
Federal	2,725	10,898
Foreign	(111)	(86)
Total	<u>2,591</u>	<u>10,439</u>
Total income tax benefit	<u>\$ 1,797</u>	<u>\$ 9,621</u>

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

	Years Ended December 31,	
	2018	2017
Computed tax provision (benefit) at the applicable statutory tax rate	21.0%	35.0%
State and local taxes net of federal income tax benefit	(1.1)%	(1.1)%
Tax exempt (income) loss	(1.5)%	(1.2)%
Change in current year valuation allowance	(18.3)%	(24.1)%
Partnership earnings not subject to tax	2.0%	6.3%
Changes in tax due to Tax Act and ASC 606 retroactive impact	0.5%	(7.7)%
Changes in valuation allowance due to Tax Act	—%	15.1%
Permanent differences	(0.1)%	(10.9)%
Other	—%	—%
Effective tax rate	<u>2.5%</u>	<u>11.4%</u>

The rate adjustment related to the change in valuation allowance due to the Tax Act was caused by changes in the federal tax rate and effective state rates and the creation of future unlimited-life deferred tax assets that are available to offset existing long-term deferred tax liabilities.

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

	December 31,	
	2018	2017
Deferred tax assets:		
Prepaid expenses	\$ 5,102	\$ 5,538
State net operating loss	24,162	19,305
Federal net operating loss	84,017	74,109
Foreign net operating loss	2,106	2,306
Other	55	55
Valuation allowance	(89,066)	(73,759)
Total deferred tax assets	<u>26,376</u>	<u>27,554</u>
Deferred tax liabilities:		
Property, plant and equipment	2,119	4,104
Deferred revenue related to future revenues and accounts receivable	25,021	27,175
Deferred revenue related to cemetery property	5,825	5,829
Total deferred tax liabilities	<u>32,965</u>	<u>37,108</u>
Net deferred tax liabilities	<u>\$ 6,589</u>	<u>\$ 9,554</u>

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

	December 31,	
	2018	2017
Deferred tax assets	\$ 86	\$ 84
Noncurrent assets	86	84
Deferred tax liabilities	26,290	27,470
Deferred tax liabilities	32,965	37,108
Noncurrent liabilities	6,675	9,638
Net deferred tax liabilities	\$ 6,589	\$ 9,554

At December 31, 2018, the Partnership had available approximately \$0.1 million of alternative minimum tax credit carryforwards and approximately \$396.6 million and \$500.7 million of federal and state net operating loss carryforwards, respectively, a portion of which expires annually.

Management periodically evaluates all evidence both positive and negative in determining whether a valuation allowance to reduce the carrying value of deferred tax assets is required. The vast majority of the Partnership's taxable subsidiaries continue to accumulate deferred tax assets that on a more likely than not basis will not be realized. A full valuation allowance continues to be maintained on these taxable subsidiaries. The valuation allowance decreased in 2017 primarily due to a decrease in deferred tax liabilities that will reverse outside the carryforward period for our deferred tax assets, partially offset by an increase in net deferred tax assets that are not more likely than not to be realized. The valuation allowance increased in 2018 due to increases in deferred tax assets that are not more likely than not expected to be realized.

At December 31, 2018, 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 believed it was 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, 2018 and 2017, the Partnership had no material uncertain tax positions.

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 2013 forward.

12. DEFERRED REVENUES AND COSTS

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 merchandise and service revenues as deferred revenues within long-term liabilities on its consolidated balance sheets. 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 sheets. 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.

Deferred revenues and related costs consisted of the following at the dates indicated (in thousands):

	December 31,	
	2018	2017
Deferred contract revenues	\$ 830,602	\$ 808,549
Deferred merchandise trust revenue	92,718	105,354
Deferred merchandise trust unrealized gains (losses)	(9,034)	(1,277)
Deferred revenues	\$ 914,286	\$ 912,626
Deferred selling and obtaining costs	\$ 112,660	\$ 126,398

Deferred revenues presented in the table above are net of the allowance for contract cancellations disclosed in Note 4.

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The activity in deferred selling and obtaining costs was as follows (in thousands):

	December 31, 2018
Deferred selling and obtaining costs, beginning of period	\$ 126,398
Cumulative effect of accounting change	(18,557)
Change in deferred selling and obtaining costs	4,819
Deferred selling and obtaining costs, end of period	<u>\$ 112,660</u>

For the year ended December 31, 2018, the Partnership recognized \$58.7 million of the deferred revenue balance at December 31, 2017 as revenue. Also during the year ended December 31, 2018, the Partnership recognized \$4.8 million from deferred incremental direct selling costs.

The components of deferred revenues, net in the Partnership's Condensed Consolidated Balance Sheet at December 31, 2018 and December 31, 2017 were as follows (in thousands):

	December 31, 2018	December 31, 2017
Deferred revenue	\$ 937,708	\$ 912,626
Amounts due from customers for unfulfilled performance obligations on cancellable pre-need contracts (1)	(23,422)	—
Deferred revenue, net	<u>\$ 914,286</u>	<u>\$ 912,626</u>

⁽¹⁾ Prior to the adoption of "*Revenue from Contracts with Customers*" on January 1, 2018, amounts due from customers for unfulfilled performance obligations on cancellable pre-need contracts were included in "Accounts Receivable and Long-term accounts receivable, net of allowance."

The Partnership cannot estimate the period when it expects its remaining performance obligations will be recognized because certain performance obligations will only be satisfied at the time of death. The Partnership expects to service 55% of its deferred revenue in the first 4-5 years and approximately 80% of its deferred revenue within 18 years.

13. LONG-TERM INCENTIVE AND RETIREMENT PLANS

2018 Long-Term Incentive Plan

Effective August 22, 2018, the General Partner's Board of Directors (the "Board") adopted the Stonemor Amended and Restated 2018 Long-Term Incentive Plan ("2018 LTIP"), which amended and restated the Stonemor Partners L.P. 2014 Long-Term Incentive Plan ("2014 LTIP") that had been approved by the Board and the Partnership's unitholders in 2014. The 2018 LTIP increased the number of units that may be delivered with respect to awards from 1,500,000 common units plan to 2,000,000 common units. The Compensation and Nominating and Governance Committee of the Board (the "Compensation Committee") administers the 2018 LTIP.

The 2018 LTIP permits the grant of awards, which may be in the form of phantom units, restricted units, unit appreciation rights ("UAR"), options, performance awards, cash awards, distribution equivalent rights or other equity awards, including performance factors for each, covering an aggregate of 2,000,000 common units, a number that the Board may increase by up to 100,000 common units per year. At December 31, 2018, the estimated number of common units to be issued upon vesting of outstanding awards under this plan, assuming the satisfaction of the maximum conditions for performance factors, was 1,122,601. As of December 31, 2018, a cumulative number of 34,036 common units had been issued, leaving 843,363 common units available for future grants under the plan, assuming no increases by the Board.

Phantom Unit Awards

Phantom units represent contingent rights to receive a common unit or an amount of cash, or a combination of both, 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. 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

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during the period that the underlying phantom unit is outstanding. All phantom units outstanding under the 2018 LTIP at December 31, 2018 contain tandem DERs to the extent there were distributions.

The following table sets forth the 2018 LTIP phantom unit award activity for the years ended December 31, 2018 and 2017, respectively:

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Outstanding, beginning of period	108,602	117,630
Granted (1)	354,104	41,732
Settled in common units or cash (1)	(709)	(16,098)
Forfeiture	(87,536)	
Performance vesting forfeiture	(29,512)	(34,662)
Outstanding, end of period (2)	<u>344,949</u>	<u>108,602</u>

- (1) The weighted-average grant date fair value for the unit awards on the date of grant was \$6.72 and \$8.11 for the years ended December 31, 2018 and 2017, respectively. The intrinsic values of unit awards vested during the years ended December 31, 2018 and 2017 were \$2.4 million and \$0.4 million, respectively.
- (2) Based on the closing price of the common units on December 31, 2018, the estimated intrinsic value of the outstanding unit awards was \$2.4 million at December 31, 2018.

Restricted Unit Awards

A restricted unit is a common unit that 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 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 receive a certificate evidencing ownership of the unit or to have the restrictions removed from any certificate that may have previously been delivered so that the unit will be unrestricted. Recipients of restricted unit awards are entitled to unit distributions rights ("UDRs"), representing the right to receive distributions made with respect to the Partnership's common units. Such UDRs may be payable in cash or as additional restricted units and may be subject to forfeiture and withheld until the restricted units to which they relate cease to be subject to forfeiture, all as determined by the Compensation Committee. All restricted units outstanding under the 2018 LTIP at December 31, 2018 provided for current payment of UDRs in cash at the time the related distributions were paid to the Partnership's unitholders.

The following table sets forth the 2018 LTIP restricted unit award activity for the years ended December 31, 2018 and 2017, respectively:

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Outstanding, beginning of period	—	—
Granted (1)	780,949	—
Settled in common units or cash (1)	—	—
Performance vesting forfeiture	—	—
Outstanding, end of period (2)	<u>780,949</u>	<u>—</u>

- (1) The weighted-average grant date fair value for the unit awards on the date of grant was \$3.98 for the year ended December 31, 2018.

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 were permitted to be in the form of phantom units, restricted units, unit appreciation rights ("UAR") or other equity awards. At December 31, 2018, the estimated number of common units to be issued upon vesting and exercise of outstanding awards under this plan was 219,306, based upon the closing price of our common units at December 31, 2018. A cumulative number of 626,188 common units had been issued under the 2004 LTIP as of December 31, 2018. There

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were no awards available for grant under the 2004 LTIP at December 31, 2017 because no new awards were permitted to be made after its expiration on September 10, 2014.

Phantom Unit Awards

Phantom units were credited to participants' mandatory deferred compensation accounts in connection with DERs accruing on phantom units received under the 2004 LTIP. These DERs continue to accrue until the underlying securities are issued. The following table sets forth the 2004 LTIP activity related to DERs credited as phantom units to the participant's accounts for the years ended December 31, 2018 and 2017, respectively:

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Outstanding, beginning of period	219,306	205,510
Granted (1)	—	13,796
Settled in common units or cash	—	—
Outstanding, end of period (2)	<u>219,306</u>	<u>219,306</u>

- (1) The weighted-average grant date fair value for the phantom unit awards on the date of grant was \$9.70 for the year ended December 31, 2017.
- (2) Based on the closing price of the common units on December 31, 2018, the estimated intrinsic value of the outstanding restricted phantom units was \$0.5 million.

Unit Appreciation Rights Awards

UAR awards represent a right to receive 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 UARs, 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 price of the Partnership's common units on the date preceding the exercise date to determine the number of common units to be 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, 2018 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. All of the UARs outstanding at December 31, 2018 are vested. The following table sets forth the UAR award activity for the years ended December 31, 2018 and 2017, respectively:

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Outstanding, beginning of period	58,646	66,355
Granted	—	—
Exercised	—	—
Forfeited	(43,646)	(7,709)
Outstanding, end of period (1)	<u>15,000</u>	<u>58,646</u>
Exercisable, end of period	15,000	57,081

Based on the closing price of the common units on December 31, 2018 the outstanding UARs had no intrinsic value and the weighted average remaining contractual life for outstanding UAR awards at December 31, 2018 was 0.1 years.

Total compensation expense for restricted unit award activity for the year ended December 31, 2018, was approximately \$0.4 million. Total compensation expense for phantom unit awards under both the 2004 LTIP and the 2018 LTIP was approximately \$2.0 million and \$0.4 million for the years ended December 31, 2018 and 2017, respectively

At December 31, 2018, the Partnership had no unrecognized compensation expense related to unvested UAR awards. The Partnership recognized total compensation expense for UAR awards of \$0.1 million for each of the years ended December 31, 2018 and 2017.

14. COMMITMENTS AND CONTINGENCIES

Legal

The Partnership is currently subject to class or collective actions under the Securities Exchange Act of 1934 and for related state law claims that certain of our officers and directors breached their fiduciary duty to the Partnership and its unitholders. The Partnership could also become subject to additional claims and legal proceedings relating to the factual allegations made in these actions. While management cannot reasonably estimate the potential exposure in these matters at this time, if the Partnership

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does not prevail in any such proceedings, the Partnership could be required to pay substantial damages or settlement costs, subject to certain insurance coverages. Management has determined that, based on the status of the claims and legal proceedings against us, the amount of the potential losses cannot be reasonably estimated at this time. These actions are summarized below.

- Anderson v. StoneMor Partners, LP, et al., No. 2:16-cv-6111, filed on November 21, 2016, in the United States District Court for the Eastern District of Pennsylvania. The plaintiffs in this case (as well as Klein v. StoneMor Partners, LP, et al., No. 2:16-cv-6275, filed in the United States District Court for the Eastern District of Pennsylvania on December 2, 2016, which has been consolidated with this case) brought an action on behalf of a putative class of the holders of Partnership units and allege that the Partnership made misrepresentations to investors in violation of Section 10(b) of the Securities Exchange Act of 1934 by, among other things and in general, failing to clearly disclose the use of proceeds from debt and equity offerings by making allegedly false or misleading statements concerning (a) the Partnership's strength or health in connection with a particular quarter's distribution announcement, (b) the connection between operations and distributions and (c) the Partnership's use of cash from equity offerings and its credit facility. Plaintiffs sought damages from the Partnership and certain of its officers and directors on behalf of the class of Partnership unitholders, as well as costs and attorneys' fees. Lead plaintiffs have been appointed in this case, and filed a Consolidated Amended Class Action Complaint on April 24, 2017. Defendants filed a motion to dismiss that Consolidated Amended Complaint on June 8, 2017. The motion was granted on October 31, 2017, and the court entered judgment dismissing the case on November 30, 2017. Plaintiffs filed a notice of appeal on December 29, 2017. Oral argument was held before the United States Court of Appeals for the Third Circuit on November 1, 2018. The Partnership expects the court to render a decision in the near future, but there can be no assurance as to when the court will issue its ruling.
- Bunim v. Miller, et al., No. 2:17-cv-519-ER, pending in the United States District Court for the Eastern District of Pennsylvania, and filed on February 6, 2017. The plaintiff in this case brought, derivatively on behalf of the Partnership, claims that StoneMor GP's officers and directors aided and abetted in breaches of StoneMor GP's purported fiduciary duties by, among other things and in general, allegedly making misrepresentations through the use of non-GAAP accounting standards in its public filings, by allegedly failing to clearly disclose the use of proceeds from debt and equity offerings, and by allegedly approving unsustainable distributions. The plaintiff also claims that these actions and misrepresentations give rise to causes of action for gross mismanagement, unjust enrichment, and (in connection with a purportedly misleading proxy statement filed in 2014) violations of Section 14(a) of the Securities Exchange Act of 1934. The derivative plaintiff seeks an award of damages, attorneys' fees and costs in favor of the Partnership as nominal plaintiff, as well as general compliance and governance changes. This case has been stayed, by the agreement of the parties, pending final resolution of the motion to dismiss filed in the Anderson case, provided that either party may terminate the stay on 30 days' notice.
- Muth v. StoneMor G.P. LLC, et al., December Term, 2016, No. 1196 and Binder v. StoneMor G.P. LLC, et al., January Term, 2017, No. 4872, both pending in the Court of Common Pleas for Philadelphia County, Pennsylvania, and filed on December 20, 2016 and February 3, 2017, respectively. In these cases, the plaintiffs brought, derivatively on behalf of the Partnership, claims that StoneMor GP's officers and directors aided and abetted in breaches of StoneMor GP's purported fiduciary duties by, among other things and in general, allegedly making misrepresentations through the use of non-GAAP accounting standards in its public filings and by failing to clearly disclose the use of proceeds from debt and equity offerings, as well as approving unsustainable distributions. The plaintiffs also claim that these actions and misrepresentations give rise to a cause of action for unjust enrichment. The derivative plaintiffs seek an award of damages, attorneys' fees and costs in favor of the Partnership as nominal plaintiff, as well as alterations to the procedures for electing members to the board of StoneMor GP, and other compliance and governance changes. These cases have been consolidated and stayed, by the agreement of the parties, pending final resolution of the motion to dismiss filed in the Anderson case, provided that either party may terminate the stay on 30 days' notice.

The Philadelphia Regional Office of the Securities and Exchange Commission, Enforcement Division, is continuing its investigation of the Partnership as to whether violations of federal securities laws have occurred. The investigation relates to, among other things, our prior restatements, financial statements, internal control over financial reporting, public disclosures, use of non-GAAP financial measures, matters pertaining to unitholder distributions and the sources of funds therefor and information relating to protection of our confidential information and our policies regarding insider trading. We are continuing to cooperate with the SEC staff.

The Partnership is party to other 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 adverse effect on its financial position, results of operations or cash flows. The Partnership carries insurance with coverage and coverage limits that it believes to be customary in the cemetery and funeral home industry. Although there can be no assurance that such insurance will be sufficient to protect the Partnership against all contingencies, management believes that the insurance protection is reasonable in view of the nature and scope of the operations.

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Leases

In 2017, the Partnership entered into capital leases that had aggregate gross and net asset values of \$1.9 million and \$1.8 million, respectively, at December 31, 2018. The Partnership has noncancelable leases for equipment and office space that expire at various dates with initial terms ranging from one to twenty-four years. Certain leases provide the Partnership with the option to renew for additional periods. Where 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. Rent expense for operating leases for the years ended December 31, 2018 and 2017 was \$4.9 million and \$4.5, respectively. The aggregate amount of remaining future minimum lease payments as of December 31, 2018 is as follows (in thousands):

	<u>Operating</u>	<u>Capital</u>
2019	\$ 4,349	\$ 1,499
2020	2,765	1,196
2021	2,130	949
2022	1,539	558
2023	1,184	89
Thereafter	5,737	—
Total	<u>\$ 17,704</u>	<u>\$ 4,291</u>
Less: Interest on capital leases		(875)
Total principal payable on capital leases		<u>\$ 3,416</u>

Other

In connection with the Partnership's 2014 lease and management agreements with the Archdiocese of Philadelphia, it has committed to pay aggregate fixed rent of \$36.0 million in the following amounts:

Lease Years 1-5 (May 28, 2014-May 31, 2019)	None
Lease Years 6-20 (June 1, 2019-May 31, 2034)	\$1,000,000 per Lease Year
Lease Years 21-25 (June 1, 2034-May 31, 2039)	\$1,200,000 per Lease Year
Lease Years 26-35 (June 1, 2039-May 31, 2049)	\$1,500,000 per Lease Year
Lease Years 36-60 (June 1, 2049-May 31, 2074)	None

The fixed rent for lease years 6 through 11, an aggregate of \$6.0 million, is deferred. If, prior to May 31, 2024, the Archdiocese terminates the agreements pursuant to a lease year 11 termination or the Partnership terminates the agreements as a result of a default by the Archdiocese, the Partnership is entitled to retain the deferred fixed rent. If the agreements are not terminated, the deferred fixed rent will become due and payable on or before June 30, 2024.

15. 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 and customer receivables on its consolidated balance sheets are similar to cash basis financial instruments, and their estimated fair values approximate their carrying values due to their short-term nature and

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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 7 and Note 8). Where quoted prices are available in an active market, securities are classified as Level 1 investments pursuant to the fair value measurement hierarchy.

Where quoted market prices are not available for the specific security, fair values are estimated by using either quoted prices of securities with similar characteristics or an income approach fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, rating, and tax-exempt status. These securities are classified as Level 2 investments pursuant to the fair value measurements hierarchy. Certain investments in the merchandise and perpetual care trusts are excluded from the fair value leveling hierarchy in accordance with GAAP. These funds are measured at fair value using the net asset value per share practical expedient and have not been categorized in the fair value hierarchy.

The Partnership's other financial instruments at December 31, 2018 and 2017 consist of its Senior Notes and outstanding borrowings under its revolving credit facility (see Note 10). The estimated fair values of the Partnership's Senior Notes at December 31, 2018 and 2017 were \$162.50 million and \$173.30 million, respectively, based on trades made on those dates, compared with the carrying amounts of \$173.6 million and \$173.1 million, respectively. At December 31, 2018 and 2017, the carrying values of outstanding borrowings under the Partnership's revolving credit facility (see Note 10), which bears interest at variable interest rates with maturities of 90 days or less, approximated their estimated fair values. The Senior Notes and the credit facility are valued using Level 2 inputs.

The Partnership may be required to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with GAAP from time to time. These adjustments to fair value usually result from impairment charges. In 2017, as discussed in Note 9, in connection with its annual goodwill impairment assessment, the Partnership recorded a loss on goodwill impairment of \$45.6 million related to our Funeral Home Operations reporting unit. This impairment was recorded by comparing the estimated fair value of the reporting unit to its carrying value. The fair value of the reporting unit was derived using discounted cash flow analyses based on Level 3 inputs.

The lower of cost or estimated fair value of assets held for sale at December 31, 2018 and 2017 were \$0.8 million and \$1.0 million respectively with an original net book value of \$1.9 million prior to an adjustment of \$0.2 million and \$0.9 million during December 31, 2018 and 2017 respectively. Assets held for sale are valued at lower of cost or estimated fair value based on broker comparables and estimates at the time the assets are classified as held for sale. These assets held for sale are classified as Level 3 pursuant to the fair value measurement hierarchy. In addition, the Partnership had \$0.9 million of assets held for use that were impaired by \$0.4 million during 2017, resulting in an updated net book value of \$0.5 million.

16. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Partnership's Senior Notes are guaranteed by StoneMor Operating LLC and its 100% owned subsidiaries, other than the co-issuer, as described below. The guarantees are full, unconditional, joint and several. The Partnership, or the "Parent," and its 100% owned subsidiary, Cornerstone Family Services of West Virginia Subsidiary Inc., are the co-issuers of the Senior Notes. The Partnership's consolidated financial statements as of and for the years ended December 31, 2018 and 2017 include the accounts of cemeteries operated under long-term lease, operating or management agreements. For the purposes of this note, these entities are deemed non-guarantor subsidiaries, as they are not 100% owned by the Partnership. The Partnership's consolidated financial statements also contain merchandise and perpetual care trusts that are also non-guarantor subsidiaries for the purposes of this note.

The financial information presented below 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, 2018 and 2017. For the purpose of the following financial information, the Partnership's investments in its subsidiaries and the guarantor subsidiaries' investments in their respective subsidiaries are presented in accordance with the equity method of accounting (in thousands):

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CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2018	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ —	\$ —	\$ 16,298	\$ 1,849	\$ —	\$ 18,147
Assets held for sale	—	—	757	—	—	757
Other current assets	—	3,718	64,167	11,527	—	79,412
Total current assets	—	3,718	81,222	13,376	-	98,316
Long-term accounts receivable	—	3,118	71,708	12,322	—	87,148
Cemetery and funeral home property and equipment	—	806	409,201	33,550	—	443,557
Merchandise trusts	—	—	—	488,248	—	488,248
Perpetual care trusts	—	—	—	330,562	—	330,562
Deferred selling and obtaining costs	—	5,511	88,705	18,444	—	112,660
Goodwill and intangible assets	—	—	25,676	60,607	—	86,283
Other assets	—	—	19,403	2,924	—	22,327
Investments in and amounts due from affiliates eliminated upon consolidation	61,875	(586)	539,997	—	(601,286)	-
Total assets	\$ 61,875	\$ 12,567	\$ 1,235,912	\$ 960,033	\$ (601,286)	\$ 1,669,101
Liabilities and Partners' Capital						
Current liabilities	\$ —	\$ 184	\$ 60,216	\$ 1,400	\$ —	\$ 61,800
Long-term debt, net of deferred financing costs	68,453	105,160	146,635	—	—	320,248
Deferred revenues	—	32,147	770,337	111,802	—	914,286
Perpetual care trust corpus	—	—	—	330,562	—	330,562
Other long-term liabilities	—	—	33,553	15,230	—	48,783
Due to affiliates	—	—	173,613	543,543	(717,156)	-
Total liabilities	68,453	137,491	1,184,354	1,002,537	(717,156)	1,675,679
Partners' capital	(6,578)	(124,924)	51,556	(42,502)	115,870	(6,578)
Total liabilities and partners' capital	\$ 61,875	\$ 12,567	\$ 1,235,910	\$ 960,035	\$ (601,286)	\$ 1,669,101

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CONDENSED CONSOLIDATING BALANCE SHEETS (continued)

December 31, 2017	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ —	\$ —	\$ 4,216	\$ 2,605	\$ —	\$ 6,821
Assets held for sale	—	—	1,016	—	—	1,016
Other current assets	—	3,882	83,901	17,366	—	105,149
Total current assets	—	3,882	89,133	19,971	—	112,986
Long-term accounts receivable	—	2,179	89,275	14,481	—	105,935
Cemetery and funeral home property and equipment	—	738	411,936	34,820	—	447,494
Merchandise trusts	—	—	—	515,456	—	515,456
Perpetual care trusts	—	—	—	339,928	—	339,928
Deferred selling and obtaining costs	—	6,171	98,639	21,588	—	126,398
Goodwill and intangible assets	—	—	26,347	61,759	—	88,106
Other assets	—	—	16,995	2,784	—	19,779
Investments in and amounts due from affiliates eliminated upon consolidation	159,946	82,836	556,783	—	(799,565)	-
Total assets	\$ 159,946	\$ 95,806	\$ 1,289,108	\$ 1,010,787	\$ (799,565)	\$ 1,756,082
Liabilities and Partners' Capital						
Current liabilities	\$ —	\$ 72	\$ 44,380	\$ 1,354	\$ —	\$ 45,806
Long-term debt, net of deferred financing costs	68,250	104,848	144,595	—	—	317,693
Deferred revenues	—	33,469	773,516	105,641	—	912,626
Perpetual care trust corpus	—	—	—	339,928	—	339,928
Other long-term liabilities	—	—	34,149	14,184	—	48,333
Due to affiliates	—	—	173,098	576,025	(749,123)	-
Total liabilities	68,250	138,389	1,169,738	1,037,132	(749,123)	1,664,386
Partners' capital	91,696	(42,583)	119,370	(26,345)	(50,442)	91,696
Total liabilities and partners' capital	\$ 159,946	\$ 95,806	\$ 1,289,108	\$ 1,010,787	\$ (799,565)	\$ 1,756,082

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CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Year Ended December 31, 2018	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ —	\$ 6,382	\$ 266,550	\$ 52,271	\$ (9,077)	\$ 316,126
Total costs and expenses	—	(13,666)	(285,578)	(58,349)	9,077	(348,516)
Other loss	—	(445)	(9,510)	(1,549)	—	(11,504)
Net loss from equity investment in subsidiaries	(63,084)	(54,573)	—	—	117,657	—
Interest expense	(5,434)	(8,348)	(15,787)	(1,033)	—	(30,602)
Income (loss) from continuing operations before income taxes	(68,518)	(70,650)	(44,325)	(8,660)	117,657	(74,496)
Income tax benefit	—	—	1,797	—	—	1,797
Net income (loss)	<u>\$ (68,518)</u>	<u>\$ (70,650)</u>	<u>\$ (42,528)</u>	<u>\$ (8,660)</u>	<u>\$ 117,657</u>	<u>\$ (72,699)</u>

Year Ended December 31, 2017	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ —	\$ 7,788	\$ 279,399	\$ 58,981	\$ (7,941)	\$ 338,227
Total costs and expenses	—	(12,306)	(290,850)	(53,685)	7,941	(348,900)
Other loss	—	—	(46,761)	—	—	(46,761)
Net loss from equity investment in subsidiaries	(69,724)	(71,281)	—	—	141,005	—
Interest expense	(5,434)	(8,348)	(12,623)	(940)	—	(27,345)
Income (loss) from continuing operations before income taxes	(75,158)	(84,147)	(70,835)	4,356	141,005	(84,779)
Income tax benefit	—	—	9,621	—	—	9,621
Net income (loss)	<u>\$ (75,158)</u>	<u>\$ (84,147)</u>	<u>\$ (61,214)</u>	<u>\$ 4,356</u>	<u>\$ 141,005</u>	<u>\$ (75,158)</u>

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CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Year Ended December 31, 2018	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	\$ —	\$ 370	\$ 39,943	\$ (73)	\$ (13,783)	\$ 26,457
Cash Flows From Investing Activities:						
Cash paid for acquisitions and capital expenditures, net of proceeds from divestitures and asset sales	—	(370)	(11,510)	(683)	—	(12,563)
Net cash used in investing activities	—	(370)	(11,510)	(683)	—	(12,563)
Cash Flows From Financing Activities:						
Cash distributions	—	—	—	—	—	—
Payments to affiliates	—	—	(13,782)	—	13,782	—
Net borrowings and repayments of debt	—	—	1,387	—	—	1,387
Other financing activities	—	—	(3,955)	—	—	(3,955)
Net cash used in financing activities	—	—	(16,350)	—	13,782	(2,568)
Net decrease in cash and cash equivalents	—	—	12,082	(756)	—	11,326
Cash and cash equivalents—Beginning of period	—	—	4,216	2,605	—	6,821
Cash and cash equivalents—End of period	\$ —	\$ —	\$ 16,298	\$ 1,849	\$ —	\$ 18,147

Year Ended December 31, 2017	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	\$ 24,545	\$ 103	\$ 28,488	\$ 167	\$ (38,327)	\$ 14,976
Cash Flows From Investing Activities:						
Cash paid for acquisitions and capital expenditures, net of proceeds from divestitures and asset sales	—	(103)	(7,831)	(987)	—	(8,921)
Net cash used in investing activities	—	(103)	(7,831)	(987)	—	(8,921)
Cash Flows From Financing Activities:						
Cash distributions	(24,545)	—	—	—	—	(24,545)
Payments to affiliates	—	—	(38,327)	—	38,327	—
Net borrowings and repayments of debt	—	—	14,341	—	—	14,341
Other financing activities	—	—	(1,600)	—	—	(1,600)
Net cash used in financing activities	(24,545)	—	(25,586)	—	38,327	(11,804)
Net decrease in cash and cash equivalents	—	—	(4,929)	(820)	—	(5,749)
Cash and cash equivalents—Beginning of period	—	—	9,145	3,425	—	12,570
Cash and cash equivalents—End of period	\$ —	\$ —	\$ 4,216	\$ 2,605	\$ —	\$ 6,821

17. 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. No common units were issued under the ATM Equity Program during the year ended December 31, 2018 or 2017.

Pursuant to a Common Unit Purchase Agreement, dated May 19, 2014, by and between the Partnership and American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company ("ACII"), the Partnership issued 78,342 paid-in-kind units to ACII in lieu of cash distributions of \$0.7 million during the year ended December 31, 2017.

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18. SEGMENT INFORMATION

The Partnership's operations include two reportable operating segments, Cemetery Operations and Funeral Home Operations. These operating segments reflect the way the Partnership manages its operations and makes business decisions as of December 31, 2018. Operating segment data for the periods indicated was as follows (in thousands):

	Years Ended December 31,	
	2018	2017
STATEMENT OF OPERATIONS DATA:		
Cemetery Operations:		
Revenues	\$ 261,935	\$ 276,696
Operating costs and expenses	(238,974)	(233,950)
Depreciation and amortization	\$ (8,037)	(8,909)
Segment income	<u>\$ 14,924</u>	<u>\$ 33,837</u>
Funeral Home Operations:		
Revenues	\$ 54,191	\$ 61,531
Operating costs and expenses	(44,525)	(49,803)
Depreciation and amortization	(2,744)	(3,080)
Segment income	<u>\$ 6,922</u>	<u>\$ 8,648</u>
Reconciliation of segment income to net loss:		
Cemetery Operations	\$ 14,924	\$ 33,837
Funeral Home Operations	6,922	8,648
Total segment income	<u>21,846</u>	<u>42,485</u>
Corporate overhead	(53,281)	(51,964)
Corporate depreciation and amortization	(955)	(1,194)
Loss on goodwill impairment	—	(45,574)
Other losses, net	(11,504)	(1,187)
Interest expense	(30,602)	(27,345)
Income tax benefit (expense)	1,797	9,621
Net loss	<u>\$ (72,699)</u>	<u>\$ (75,158)</u>
CASH FLOW DATA:		
Capital expenditures:		
Cemetery Operations	\$ 9,025	\$ 10,048
Funeral Home Operations	2,839	426
Corporate	308	315
Total capital expenditures	<u>\$ 12,172</u>	<u>\$ 10,789</u>
	December 31,	
	2018	2017
BALANCE SHEET DATA:		
Assets:		
Cemetery Operations	\$ 1,508,667	\$ 1,594,091
Funeral Home Operations	136,064	152,934
Corporate	24,370	9,057
Total assets	<u>\$ 1,669,101</u>	<u>\$ 1,756,082</u>
Goodwill:		
Cemetery Operations	\$ 24,862	\$ 24,862
Funeral Home Operations	—	—
Total goodwill	<u>\$ 24,862</u>	<u>\$ 24,862</u>

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19. SUBSEQUENT EVENTS

Credit Agreements

On February 4, 2019, StoneMor Operating LLC (the “Operating Company”), a wholly-owned subsidiary of the Partnership, the Subsidiaries (as defined in the Amended Credit Agreement) of the Operating Company (together with the Operating Company, “Borrowers”), the Lenders party thereto and Capital One, National Association (“Capital One”), as Administrative Agent (in such capacity, the “Administrative Agent”), entered into the Eighth Amendment and Waiver to Credit Agreement (the “Eighth Amendment” and the Original Amended Agreement, as further amended by the Eighth Amendment, the “Amended Credit Agreement”) which further amended the Credit Agreement dated August 4, 2016 (as previously amended by that certain First Amendment to Credit Agreement dated as of March 15, 2017, Second Amendment and Limited Waiver dated July 26, 2017, Third Amendment and Limited Waiver effective August 15, 2017, Fourth Amendment to Credit Agreement dated as of September 29, 2017, Fifth Amendment to Credit Agreement dated as of December 22, 2017 but effective as of September 29, 2017, Sixth Amendment and Waiver to Credit Agreement dated June 12, 2018 and Seventh Amendment and Waiver to Credit Agreement dated July 13, 2018, the “Original Amended Agreement”), dated as of August 4, 2016, among the Borrowers, the Lenders, Capital One, as Administrative Agent, Issuing Bank and Swingline Lender, Citizens Bank N.A., as Syndication Agent, and TD Bank, N.A. and Raymond James Bank, N.A., as Co-Documentation Agents. Capitalized terms not otherwise defined herein have the same meanings as specified in the Amended Credit Agreement.

The Eighth Amendment added to the Amended Credit Agreement a separate last out revolving credit facility (the “Tranche B Revolving Credit Facility”) in the aggregate amount of \$35.0 million to be provided by certain affiliates of Axar Capital Management as the initial lenders under the Tranche B Revolving Credit Facility (the “Tranche B Revolving Lenders”) on the following terms (as further detailed in the Eighth Amendment):

- the aggregate amount of the Tranche B Revolving Commitments is \$35.0 million; such Commitments were utilized in the amount of \$15.0 million, which is reduced by a \$0.7 million Original Issue Discount on the Eighth Amendment effective date. The remaining \$20 million in commitments may be utilized in the amount of \$5.0 million (or any integral multiple thereof) from time to time until April 30, 2019, provided that any borrowings resulting in the outstanding principal amount of the Tranche B Revolving Credit Facility being in excess of \$25.0 million require, as a condition to such borrowings, that the Partnership receive a fairness opinion with respect to the Tranche B Revolving Credit Facility;
- Tranche B Revolving Credit Facility Maturity Date is one business day after the maturity date of the original revolving credit facility (the “Tranche A Revolving Credit Facility”);
- the interest rate applicable to the loans made under the Tranche B Revolving Credit Facility is 8.00% per annum, payable quarterly in arrears;
- borrowings under the Tranche B Revolving Credit Facility on the effective date of the Eighth Amendment (the “Eighth Amendment Effective Date”) were subject to an original issue discount in the amount of \$0.7 million; and
- upon the repayment or prepayment of the Tranche B Revolving Credit Facility in full, the Tranche B Revolving Lenders will receive additional interest in the amount of \$0.7 million.

The Eighth Amendment also amended certain terms of the Original Amended Agreement to:

- reduce the Tranche A Revolving Credit Availability Period to end on the Eighth Amendment Effective Date, which precludes borrowings under the Tranche A Revolving Credit Facility after such date;
- reduce the amount of the Letter of Credit Sublimit from \$15.0 million to \$9.4 million, plus the principal amount of loans under the Tranche A Revolving Credit Facility that become subject to optional prepayment after the Eighth Amendment Effective Date, and permit the issuance of letters of credit under the Tranche A Revolving Credit Facility after the Eighth Amendment Effective Date;
- modify the Tranche A Revolving Credit Facility Maturity Date to be the earlier of (i) May 1, 2020 and (ii) the date that is six months prior to the earliest scheduled maturity date of any outstanding Permitted Unsecured Indebtedness;
- redetermine the Applicable Rate to be 4.50% for Eurodollar Rate Loans and 3.50% for Base Rate Loans from the Eighth Amendment Effective Date to February 28, 2019; 4.75% and 3.75%, respectively, from March 1, 2019 to March 31, 2019; 5.50% and 4.50%, respectively, from April 1, 2019 to April 30, 2019; 5.75% and 4.75%, respectively, from May 1, 2019 to May 31, 2019; and 6.00% and 5.00%, respectively, from June 1, 2019;

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- discontinue the accrual of the commitment fee after the Eighth Amendment Effective Date;
- provide for ticking fees assessed on the amount of outstanding loans made under the Tranche A Revolving Credit Facility (the “Tranche A Revolving Loans”) and payable to the Tranche A Revolving Lenders (i) in-kind, by increasing the outstanding principal amount of such Lender’s Tranche A Revolving Loans (“PIK”) or (ii) in cash, in the following amounts and on the following dates:
 - 3.00% on July 1, 2019, of which (x) 2.00% shall PIK and (y) 1.00% shall be payable in cash, unless the Required Lenders agree to PIK;
 - 1.00% on August 1, 2019, payable in cash, unless the Required Lenders agree to PIK;
 - 1.00% on September 1, 2019, payable in cash, unless the Required Lenders agree to PIK; and
 - 1.00% on October 1, 2019, PIK;
- amend the definition of “Consolidated Net Income” for purposes of calculating the Consolidated EBITDA to exclude, for the time period from January 1, 2018 to January 1, 2019, (i) any non-recurring charges for adjustments made to cost of goods sold for merchandise inventory impairment related to excess and damaged inventory of the Partnership or a subsidiary of the Partnership (and any reversal thereof) incurred during the Fiscal Year ended December 31, 2018 in an aggregate amount not to exceed \$5.0 million and (ii) any non-recurring charges for the establishment of liability reserves required for future obligations of the Partnership or a Subsidiary of the Partnership to deliver allocated merchandise to customers (and any reversal thereof) incurred during the Fiscal Year ended December 2018 in an aggregate amount not to exceed \$15.0 million;
- amend the definition of “Consolidated EBITDA” for purposes of calculating the financial covenant to (i) adjust the limit on add backs for non-recurring cash expenses, losses, costs and charges to \$17.0 million for each Measurement Period ended on or after April 1, 2018 and (ii) remove a separate add back for non-recurring cash expenses, costs and charges relating to “non-ordinary course of business” legal matters;
- remove the Consolidated Secured Net Leverage Ratio and Consolidated Fixed Charge Coverage Ratio and replace them with a covenant requiring the Partnership to ensure that its Consolidated EBITDA is not less than the following amounts for the four quarters ending on the following dates: (i) \$18.0 million for the period ended March 31, 2018; (ii) \$13.0 million for the period ended June 30, 2018; (iii) \$2.5 million for the period ended September 30, 2018; (iv) (\$3.0 million) for the period ended December 31, 2018; (v) \$1.0 million for the period ending March 31, 2019; (vi) \$3.5 million for the period ending June 30, 2019; (vii) \$8.0 million for the period ending September 30, 2019; (viii) \$8.25 million for the period ending December 31, 2019; and (ix) \$9.25 million for the period ending March 31, 2020;
- provide for mandatory prepayments in an amount equal to 100% of the net cash proceeds from (i) sale/leaseback transactions and certain other permitted dispositions of assets and (ii) incurrence of certain indebtedness (including any indebtedness not permitted under the Amended Credit Agreement) in an amount exceeding \$5.0 million;
- extend the deadline for filing the Partnership’s Form 10-Q for the period ended March 31, 2018 to the later of February 6, 2019 and the date that is two Business Days following the Eighth Amendment Effective Date and for the periods ended June 30, 2018 and September 30, 2018 to February 15, 2019;
- add a covenant requiring the Partnership and the Administrative Borrower to use their reasonable best efforts to consummate the transactions contemplated under the Merger Agreement (as defined below) by May 15, 2019 (the “C-Corporation Conversion”); modify the definition of “Change in Control” and several covenants, including but not limited to reporting covenants and covenants restricting fundamental changes, dispositions, investments, acquisitions and transactions with affiliates to permit the C-Corporation Conversion and to permit the Partnership to be a wholly-owned subsidiary of StoneMor Inc. (as defined below);
- add a covenant requiring the Administrative Borrower to engage Houlihan Lokey or any other acceptable financial advisor by no later than the second business day after the Eighth Amendment Effective Date to advise it in the arrangement of the refinancing in full of the obligations with respect to the Tranche A Revolving Credit Facility (such refinancing, the “Refinancing”);

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- add a covenant requiring the Administrative Borrower to retain Carl Marks & Co. or another acceptable consultant of recognized national standing on or prior to the Eighth Amendment Effective Date, who shall (i) assist the Administrative Borrower in further developing its financial planning and analysis function; (ii) prepare a detailed analysis of G&A expenses and other overhead and develop cost savings initiatives and (iii) present a monthly written update to the Administrative Agent and the Lenders on progress; and
- amend other provisions of the Original Amended Agreement in connection with the foregoing.

In addition, in the Eighth Amendment, the Administrative Agent and Lenders party thereto waived existing defaults under the Original Amended Agreement as a result of the Partnership's failure to (i) deliver the financial statements for the periods ended March 31, 2018, June 30, 2018 and September 30, 2018 and the related compliance certificates; (ii) comply with the facility's maximum Consolidated Secured Net Leverage Ratio for each period ended June 30, 2018, September 30, 2018 and December 31, 2018 (iii) comply with the facility's minimum Fixed Charge Coverage Ratio for each period ended June 30, 2018, September 30, 2018 and December 31, 2018; and (iv) inaccuracies in representations and warranties resulting from such defaults. The effectiveness of the Eighth Amendment was subject to the satisfaction of certain conditions, including the payment to the Tranche A Revolving Lenders of a fee in the aggregate amount of \$0.8 million.

Loan Agreement with a Related Party

On February 4, 2019, the Partnership entered into the Eighth Amendment with, among other parties, certain affiliates of Axar Capital Management (collectively, "Axar") to provide an up to \$35.0 million bridge financing in the form of the Tranche B Revolving Credit Facility, of which \$15.0 million was drawn down immediately. Borrowings under the financing arrangement are collateralized by a perfected first priority security interest in substantially all assets of the Partnership and the Borrowers held for the benefit of the existing Tranche A Revolving Lenders and bear interest at a fixed rate of 8.0%. Borrowings under Tranche B Revolving Credit Facility "Eighth Amendment Effective Date" are subject to an original issue discount in the amount of \$0.7 million, which was recorded as original issue discount and will pay additional interest in the amount \$0.7 million at the termination and payment in full of the financing arrangement, which will be accreted to interest expense over the term of the financing arrangement. As of March 15, 2019, Axar beneficially owned approximately 20.2% of the Partnership's outstanding common units. Axar also has exposure to an additional 1,520,149 Common Units pursuant to certain cash-settled equity swaps which mature on June 20, 2022 in accordance with information included in Axar's filing on Form 4 which was filed with the SEC on March 18, 2019. In addition, the Partnership's board of directors has separately approved an amendment to the voting and standstill agreement and director voting agreement with Axar to permit Axar to acquire up to 27.5% of the Partnership common units outstanding.

On March 29, 2019, the Partnership had additional borrowing of \$10.0 million under the Tranche B Revolving Credit Facility.

January 2019 Restructuring

On January 31, 2019, the Partnership announced a restructuring initiative implemented as part of its ongoing organizational review. This restructuring is intended to further integrate, streamline and optimize the Partnership's operations.

As part of this restructuring, the Partnership will undertake certain cost reduction initiatives, including a reduction of approximately 45 positions of its workforce, primarily related to corporate functions in Trevoze, a streamlining of general and administrative expenses and an optimization of location spend. The Partnership expects to incur cash charges of approximately \$0.5 million to \$0.7 million of employee separation and other benefit-related costs in connection with the January 2019 restructuring initiative. Substantially all of these cash payments are anticipated to be made by the end of 2019 and the Partnership anticipates that substantially all of the actions associated with this restructuring will be completed by the end of 2019. Under this restructuring, separation costs are expensed over the requisite service period, if any. There were no expenses recorded for the year ended December 31, 2018 related to the January 2019 restructuring initiative.

Amendment and Restatement of 2018 LTIP

On March 27, 2019, the Board of Directors of our General Partner approved the amendment and restatement of the 2018 LTIP, which was renamed the StoneMor Amended and Restated 2019 Long-Term Incentive Plan ("2019 Plan"). The amendments were made to (i) increase the number of common units of the Partnership reserved for delivery under the plan from 2,000,000 to 4,000,000 and (ii) make certain other clarifying changes and updates to the 2018 LTIP.

The 2019 LTIP provides for the grant, from time to time, at the discretion of the board of directors of the General Partner or the Compensation, Nominating and Governance and Compliance Committee of the board of directors, of equity-based incentive compensation awards. Subject to adjustments in the event of certain transactions or changes in capitalization in accordance

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with 2019 LTIP, 4,000,000 common units of the Partnership have been reserved for delivery pursuant to awards under the 2019 LTIP. Common units that have been forfeited, cancelled, exercised, settled in cash, or otherwise terminated or expired without deliver will be available for future deliver.

20. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following summarizes certain quarterly results of operations:

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
	<u>(in thousands, except per unit data)</u>			
Year Ended December 31, 2018				
Revenues	\$ 77,945	\$ 81,571	\$ 73,185	\$ 83,425
Gross loss	(8,026)	(8,738)	(10,016)	(5,610)
Net loss	(17,923)	(17,017)	(17,225)	(20,534)
General partner's interest in net loss for the period	(187)	(177)	(179)	(214)
Limited partners' interest in net loss for the period	(17,736)	(16,840)	(17,046)	(20,320)
Net loss per limited partner unit (basic and diluted)	\$ (0.47)	\$ (0.44)	\$ (0.45)	\$ (0.54)
Year Ended December 31, 2017				
Revenues	\$ 82,946	\$ 85,952	\$ 84,034	\$ 85,295
Gross profit (loss)	(1,049)	(3,113)	(2,348)	(4,163)
Net loss (1)	(8,561)	(11,582)	(9,576)	(45,439)
General partner's interest in net income (loss) for the period	(89)	(121)	(99)	(473)
Limited partners' interest in net loss for the period	(8,472)	(11,461)	(9,477)	(44,966)
Net loss per limited partner unit (basic and diluted)	\$ (0.22)	\$ (0.30)	\$ (0.25)	\$ (1.18)

(1) Net loss in the fourth quarter of 2017 includes loss on goodwill impairment of \$45.6 million.

Gross profit (loss) is computed based upon total revenues less total costs and expenses per the consolidated statements of operations for each quarter.

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 unit amounts may not equal the annual per share amounts.

21. SUPPLEMENTAL CONSOLIDATED CASH FLOW INFORMATION

The tables presented below provide supplemental information to the consolidated statements of cash flows regarding contract origination and maturity activity included in the pertinent captions on the Partnership's consolidated statements of cash flows (in thousands):

	Years Ended December 31,	
	2018	2017
Pre-need/at-need contract originations (sales on credit)	\$ (126,199)	\$ (104,896)
Cash receipts from sales on credit (post-origination)	130,697	87,822
Changes in Accounts receivable, net of allowance	\$ 4,498	\$ (17,074)
Deferrals:		
Cash receipts from customer deposits at origination, net of refunds	\$ 146,279	\$ 146,624
Withdrawals of realized income from merchandise trusts during the period	15,582	12,551
Pre-need/at-need contract originations (sales on credit)	126,199	104,896
Undistributed merchandise trust investment earnings, net	(2,725)	(36,461)
Recognition:		
Merchandise trust investment income, net withdrawn as of end of period	(9,618)	(11,738)
Recognized maturities of customer contracts collected as of end of period	(188,897)	(199,074)
Recognized maturities of customer contracts uncollected as of end of period	(49,415)	(25,847)
Changes in Deferred revenues	\$ 37,405	\$ (9,049)

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 Part II, Item 8. Financial Statements and Supplementary Data:

Reports of Independent Registered Public Accounting Firms

Consolidated Balance Sheets as of December 31, 2018 and 2017

Consolidated Statements of Operations for the years ended December 31, 2018 and 2017

Consolidated Statements of Partners' Capital for the years ended December 31, 2018 and 2017

Consolidated Statements of Cash Flows for the years ended December 31, 2018 and 2017

Notes to 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 Annual Report on Form 10-K.

(b) Exhibits are listed in the Exhibit Index, which is included below.

Exhibit Index

Exhibit Number	Description
3.1*	<u>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)).</u>
3.2*	<u>Second Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P. dated as of September 9, 2008, as amended by Amendment No. 1 to Second Amended Agreement of Limited Partnership of StoneMor Partners L.P. dated as of November 3, 2017 (incorporated by reference to Exhibit 3.1 of Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2017).</u>
4.1.1*	<u>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).</u>
4.1.2*	<u>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).</u>
4.1.3*	<u>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 4.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).</u>
4.1.4*	<u>Supplemental Indenture No. 2, dated as of September 1, 2016, by and among StoneMor Wisconsin LLC, StoneMor Wisconsin Subsidiary LLC, subsidiaries of StoneMor Partners L.P., 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 4.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016).</u>

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- [4.2*](#) [Registration Rights Agreement, dated as of May 21, 2014, by and between StoneMor Partners L.P. and American Cemeteries Infrastructure Investors, LLC \(incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on May 23, 2014\).](#)
- [10.1*†](#) [StoneMor Partners L.P. Long-Term Incentive Plan, as amended April 19, 2010 \(incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement filed on June 4, 2010\).](#)
- [10.2*†](#) [Form of the Director Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 15, 2006\).](#)
- [10.3*†](#) [Form of the Key Employee Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 15, 2006\).](#)
- [10.4*†](#) [Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 27, 2006 \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 1, 2006\).](#)
- [10.5*†](#) [Director Restricted Phantom Unit Agreement by and between StoneMor GP LLC and Robert Hellman dated June 23, 2009 \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 23, 2009\).](#)
- [10.6*†](#) [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*†](#) [Form of the Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 22, 2009\).](#)
- [10.8*†](#) [Director Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2.8 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2009\).](#)
- [10.9*†](#) [Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of April 2, 2012 \(incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012\).](#)
- [10.10*†](#) [Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 7, 2012 \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 13, 2012\).](#)
- [10.11*†](#) [Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of October 22, 2013 \(incorporated by reference to Exhibit 10.7.11 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2013\).](#)
- [10.12*†](#) [Form of Director Restricted Phantom Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of November 11, 2014 \(incorporated by reference to Exhibit 10.7.12 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2014\).](#)
- [10.13*†](#) [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 \(incorporated by reference to Exhibit 10.7.15 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2015\).](#)
- [10.14*†](#) [Amended and Restated Employment Agreement, executed July 22, 2013 and retroactive to January 1, 2013, by and between StoneMor GP, LLC and Lawrence Miller \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 26, 2013\).](#)
- [10.15*†](#) [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 \(incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004\).](#)
- [10.16*†](#) [Form of Indemnification Agreement by and between StoneMor GP LLC and Howard Carver and Peter Grunebaum, effective February 16, 2007 \(incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004\).](#)

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- 10.17*†** [Form of Indemnification Agreement by and between StoneMor GP LLC and Leo J. Pound and Jonathan Contos, dated February 26, 2015 \(incorporated by reference to Exhibit 10.1 of Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015\).](#)
- 10.18*†** [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 \(incorporated by reference to Exhibit 10.2 of Registrant’s Current Report on Form 8-K filed on June 25, 2010\).](#)
- 10.19*†** [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 \(incorporated by reference to Exhibit 10.4 of Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004\).](#)
- 10.20*†** [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 \(incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on Form 8-K filed on January 28, 2011\).](#)
- 10.21*†** [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 \(incorporated by reference to Exhibit 10.2 of Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004\).](#)
- 10.22*†** [Letter Agreement by and between Austin So and StoneMor GP LLC, dated January 28, 2017 \(incorporated by reference to Exhibit 10.36 to Registrant’s Annual Report on Form 10-K for the year ended December 31, 2016\).](#)
- 10.23*** [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 \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on October 2, 2013\).](#)
- 10.24*** [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 \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on March 26, 2014\).](#)
- 10.25*** [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. \(incorporated by reference to Exhibit 10.3 of Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014\).](#)
- 10.26*** [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. \(incorporated by reference to Exhibit 2.1 of Registrant’s Current Report on Form 8-K filed on April 8, 2014\).](#)

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- 10.27***† [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. \(incorporated by reference to Exhibit 2.2 of Registrant's Current Report on Form 8-K filed on April 8, 2014\).](#)
- 10.28*** [Common Unit Purchase Agreement, dated as of May 19, 2014, by and between StoneMor Partners L.P. and American Cemeteries Infrastructure Investors, LLC \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 23, 2014\).](#)
- 10.29*** [Underwriting Agreement, dated April 15, 2016, by and among StoneMor Partners L.P., StoneMor GP LLC, StoneMor Operating LLC, and Raymond James & Associates, Inc., as representative of the underwriters named therein \(incorporated by reference to Exhibit 1.1 of Registrant's Current Report on Form 8-K filed on April 20, 2016\).](#)
- 10.30*** [Letter Agreement by and between Austin So and StoneMor GP LLC, dated May 26, 2016 \(incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016\).](#)
- 10.31*** [Confidentiality, Nondisclosure and Restrictive Covenant Agreement by and between Austin So and StoneMor GP LLC, dated May 26, 2016 \(incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016\).](#)
- 10.32*** [Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, entered into as of July 5, 2016, by and between StoneMor GP LLC and Lawrence Miller \(incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016\).](#)
- 10.33*** [Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, entered into as of July 5, 2016, by and between StoneMor GP LLC and Austin So \(incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016\).](#)
- 10.34*** [Credit Agreement, dated as of August 4, 2016, by and among StoneMor Operating LLC, the other Borrowers party thereto, the Lenders party thereto, Capital One, National Association, as Administrative Agent, Issuing Bank and Swingline Lender, Citizens Bank of Pennsylvania, as Syndication Agent, and TD Bank, N.A. and Raymond James Bank, N.A., as Co-Documentation Agents \(incorporated by reference to Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016\).](#)
- 10.35*** [First Amendment to Credit Agreement, dated as of March 15, 2017, by and among StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 16, 2017\).](#)
- 10.36*** [Second Amendment and Limited Waiver to Credit Agreement, dated as of July 26, 2017, by and among StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 28, 2017\).](#)
- 10.37*** [Third Amendment and Limited Waiver to Credit Agreement, effective as of August 15, 2017, by and among StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on August 17, 2017\).](#)
- 10.38*** [Fourth Amendment to Credit Agreement dated as of September 29, 2017, by and among StoneMor Operating LLC, a Delaware limited liability company, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent and the Lenders party thereto \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 5, 2017\).](#)
- 10.39*** [Fifth Amendment to Credit Agreement, dated as of December 22, 2017 but effective as of September 29, 2017, by and among StoneMor Operating LLC, a Delaware limited liability company, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent and the Lenders party thereto \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on June 18, 2018\).](#)
- 10.40*** [Sixth Amendment and Waiver to Credit Agreement, effective as of June 12, 2018, by and among StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 18, 2018\).](#)

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- 10.41*** [Seventh Amendment and Waiver to Credit Agreement, effective as of July 13, 2018, by and among StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto \(incorporated by reference to Exhibit 10.49 of Registrant's Annual Report on Form 10-K filed on July 17, 2018\).](#)
- 10.42*** [Eighth Amendment and Waiver to Credit Agreement, effective as of February 4, 2019, by and among StoneMor Partners L.P., StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on February 4, 2018\).](#)
- 10.43*** [Guaranty and Collateral Agreement, dated as of August 4, 2016, by and among StoneMor Partners L.P., StoneMor Operating LLC, the other Grantors party thereto and Capital One, National Association, as Administrative Agent \(incorporated by reference to Exhibit 10.6 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016\).](#)
- 10.44*** [Common Unit Purchase Agreement, dated as of December 30, 2016, by and between StoneMor Partners L.P. and StoneMor GP Holdings LLC \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on January 4, 2017\).](#)
- 10.45*†** [Separation Agreement and General Release, dated as of March 27, 2017, by and between StoneMor GP Holdings LLC and Lawrence Miller \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 28, 2017\).](#)
- 10.46*†** [Summary of Oral Agreement between StoneMor GP LLC and Leo J. Pound \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on April 17, 2017\).](#)
- 10.47*†** [Employment Agreement dated May 16, 2017, by and between StoneMor GP LLC and R. Paul Grady \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 22, 2017\).](#)
- 10.48*†** [Indemnification Agreement, dated May 16, 2017, by and between StoneMor GP LLC and R. Paul Grady \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 22, 2017\).](#)
- 10.49*†** [Employment Agreement, effective May 16, 2017, by and between StoneMor GP LLC and Mark Miller \(incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on May 22, 2017\).](#)
- 10.50*†** [Indemnification Agreement, effective May 16, 2017, by and between StoneMor GP LLC and Mark Miller \(incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on May 22, 2017\).](#)
- 10.51*†** [Indemnification Agreement, effective May 16, 2017, by and between StoneMor GP LLC and Robert A. Sick \(incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on May 22, 2017\).](#)
- 10.52*†** [Employment Agreement dated March 1, 2018 by and between StoneMor GP LLC and James Ford \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 2, 2018\).](#)
- 10.53*†** [Executive Restricted Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, entered into as of March 1, 2018, by and between StoneMor GP LLC and James Ford \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on March 2, 2018\).](#)
- 10.54*†** [Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of March 19, 2018 by and between StoneMor GP LLC and Mark L. Miller \(2017 Award\) \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 23, 2018\).](#)
- 10.55*†** [Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of March 19, 2018 by and between StoneMor GP LLC and Mark L. Miller \(2018 Award\) \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on March 23, 2018\).](#)
- 10.56*†** [Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of March 19, 2018 by and between StoneMor GP LLC and Austin K. So \(2017 Award\) \(incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on March 23, 2018\).](#)
- 10.57*†** [Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of March 19, 2018 by and between StoneMor GP LLC and Austin K. So \(2018 Award\) \(incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on March 23, 2018\).](#)
- 10.58*†** [Executive Restricted Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, entered into as of March 19, 2018, by and between StoneMor GP LLC and Mark L. Miller \(incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on March 23, 2018\).](#)

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- [10.59*† Form of 2017 Key Employee Unit Award Agreement under StoneMor Partners L.P. 2014 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.6 of Registrant’s Current Report on Form 8-K filed on March 23, 2018\).](#)
- [10.60*† Form of Key Employee Unit Award Agreement under StoneMor Partners L.P. 2014 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.7 of Registrant’s Current Report on Form 8-K filed on March 23, 2018\).](#)
- [10.61*† Director Restricted Phantom Unit Agreement effective June 15, 2018 by and between StoneMor GP LLC and Patricia D. Wellenbach \(incorporated by reference to Exhibit 10.4 of Registrant’s Current Report on Form 8-K filed on June 18, 2018\).](#)
- [10.62*† Director Restricted Phantom Unit Agreement effective June 15, 2018 by and between StoneMor GP LLC and Stephen J. Negrotti \(incorporated by reference to Exhibit 10.5 of Registrant’s Current Report on Form 8-K filed on June 18, 2018\).](#)
- [10.63*† Indemnification Agreement effective June 15, 2018 by and between StoneMor GP LLC and Patricia D. Wellenbach \(incorporated by reference to Exhibit 10.6 of Registrant’s Current Report on Form 8-K filed on June 18, 2018\).](#)
- [10.64*† Indemnification Agreement effective June 15, 2018 by and between StoneMor GP LLC and Stephen J. Negrotti \(incorporated by reference to Exhibit 10.7 of Registrant’s Current Report on Form 8-K filed on June 18, 2018\).](#)
- [10.65*† Employment Agreement by and between Austin K. So and StoneMor GP LLC, dated June 15, 2018 \(incorporated by reference to Exhibit 10.3 of Registrant’s Current Report on Form 8-K filed on June 18, 2018\).](#)
- [10.66*† Employment Agreement by and between Joseph M. Redling and StoneMor GP LLC, dated June 29, 2018 \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on July 3, 2018\).](#)
- [10.67*† Executive Restricted Unit Award Agreement dated July 18, 2018 by and between StoneMor GP LLC and Joseph M. Redling \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on July 24, 2018\).](#)
- [10.68*† Agreement dated July 26, 2018 by and between StoneMor GP LLC and Leo J. Pound \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on July 30, 2018\).](#)
- [10.69*† Letter Agreement, dated September 5, 2018, by and between StoneMor GP LLC and Jeffrey DiGiovanni \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on September 11, 2018\).](#)
- [10.70*† StoneMor Amended and Restated 2018 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on September 21, 2018\).](#)
- [10.71* Voting and Support Agreement, dated September 27, 2018, by and among StoneMor Partners L.P., StoneMor GP LLC, and the unitholders of StoneMor Partners L.P. named therein \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on September 28, 2018\).](#)
- [10.72*† Summary of Oral Agreement between StoneMor GP LLC and Leo J. Pound \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on October 12, 2018\).](#)
- [10.73*† Letter Agreement dated October 12, 2018 between StoneMor Partners L.P. and Lawrence Miller \(incorporated by reference to Exhibit 10.2 of Registrant’s Current Report on Form 8-K filed on October 12, 2018\).](#)
- [10.74* First Amendment to Voting and Support Agreement, dated February 4, 2019, by and among StoneMor Partners L.P., StoneMor GP LLC, and the unitholders of StoneMor Partners L.P. named therein \(incorporated by reference to exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on February 4, 2019\).](#)
- [10.75* Merger and Reorganization Agreement, dated September 27, 2018, by and among StoneMor Partners L.P., StoneMor GP Holdings LLC, StoneMor GP LLC and Hans Merger Sub, LLC \(incorporated by reference to Exhibit 10.75 of Registrant’s Annual Report on Form 10-K filed on April 3, 2019\).](#)
- [10.76*† StoneMor Amended and Restated 2019 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on April 2, 2019\).](#)
- [16.1* Letter from Deloitte & Touche LLP date December 6, 2018 \(incorporated by reference to Exhibit 16.1 of Registrant’s Current Report on Form 8-K filed on December 6, 2018\).](#)
- [21.1* Subsidiaries of Registrant \(incorporated by reference to Exhibit 21.1 of Registrant’s Annual Report on Form 10-K filed on April 3, 2019\).](#)
- [23.1 Consent of Grant Thornton LLP.](#)

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- 23.2** [Consent of Deloitte & Touche LLP.](#)
- 31.1** [Certification pursuant to Exchange Act Rule 13a-14\(a\) of Joseph M. Redling, President and Chief Executive Officer.](#)
- 31.2** [Certification pursuant to Exchange Act Rule 13a-14\(a\) of Garry P. Herdler, Chief Financial Officer and Senior Vice President.](#)
- 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 Joseph M. Redling, President and Chief Executive Officer \(furnished herewith\).](#)
- 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 Garry P. Herdler, Chief Financial Officer and Senior Vice President \(furnished herewith\).](#)
- 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 \(incorporated by reference to Exhibit 99.2 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2015\).](#)
- 99.3*** [Amendment No. 2, dated as of May 17, 2017, to the Second Amended and Restated Limited Liability Company Agreement of StoneMor GP Holdings, LLC \(incorporated by reference to Exhibit 99.3 of Registrant's Annual Report on Form 10-K filed on July 17, 2018\).](#)
- 99.4*** [Amendment No. 3, dated as of March 19, 2018, to the Second Amended and Restated Limited Liability Company Agreement of StoneMor GP Holdings, LLC \(incorporated by reference to Exhibit 99.4 of Registrant's Annual Report on Form 10-K filed on July 17, 2018\).](#)
- 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, 2018 and 2017; (ii) Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016; (iii) Consolidated Statements of Partners' Capital; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016; 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

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

August 28, 2019

By: /s/ Joseph M. Redling
Joseph M. Redling
President and Chief Executive Officer

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Section 2: EX-23.1 (EX-23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated April 2, 2019 (except for Note 1, as to which the date is August 28, 2019) with respect to the consolidated financial statements and internal control over financial reporting of StoneMor Partners, L.P. included in Amendment No. 1 to the Annual Report on Form 10-K/A for the year ended December 31, 2018, which are incorporated by reference in this Registration Statement. We consent to the incorporation by reference of the aforementioned report in the Registration Statements of StoneMor Partners L.P. on Forms S-3 (File No. 333-192670, File No. 333-196913 and File No. 333-210264), Form S-4 (File No. 333-210265) and on Forms S-8 (File No. 333-143863, File No. 333-176789 and File No. 333- 203018).

/s/ Grant Thornton LLP

Philadelphia, Pennsylvania
August 28, 2019

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Section 3: EX-23.2 (EX-23.2)

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-192670, 333-196913 and 333-210264 on Form S-3, Registration Statement No. 333-210265 on Form S-4 and Registration Statement Nos. 333-143863, 333-176789 and 333- 203018 on Form S-8 of our report dated July 16, 2018, relating to the 2017 financial statements (before retrospective adjustments to the financial statements to reflect the impact of adoption of Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), as disclosed in Note 1 under captions *Reclassifications and Adjustments to Prior Period Financial Statements* and *Recently Issued Accounting Standard Updates - Adopted in the Current Period* to the financial statements) of StoneMor Partners L.P. and subsidiaries, (not presented herein) appearing in this Amendment No. 1 to Annual Report on Form 10-K/A of StoneMor Partners L.P. for the year ended December 31, 2018.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
August 28, 2019

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Section 4: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION

I, Joseph M. Redling, certify that:

1. I have reviewed this Amendment No. 1 to Annual Report on Form 10-K/A, for the fiscal year ended December 31, 2018, 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.

Date: August 28, 2019

By: /s/ Joseph M. Redling

Joseph M. Redling
President and Chief Executive Officer
(Principal Executive Officer)

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Section 5: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION

I, Garry P. Herdler, certify that:

1. I have reviewed this Amendment No. 1 to Annual Report on Form 10-K/A, for the fiscal year ended December 31, 2018, 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.

Date: August 28, 2019

By: /s/ Garry P. Herdler

Garry P. Herdler
Chief Financial Officer and Senior Vice President
(Principal Financial Officer)

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Section 6: EX-32.1 (EX-32.1)

Exhibit 32.1

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 Amendment No. 1 to the Annual Report of the Partnership on Form 10-K/A for the year ended December 31, 2018 (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.

Date: August 28, 2019

By: /s/ Joseph M. Redling

Joseph M. Redling
President and Chief Executive Officer
(Principal Executive Officer)

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.

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Section 7: EX-32.2 (EX-32.2)

Exhibit 32.2

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 Amendment No. 1 to the Annual Report of the Partnership on Form 10-K/A for the year ended December 31, 2018 (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.

Date: August 28, 2019

By: /s/ Garry P. Herdler

Garry P. Herdler
Chief Financial Officer and Senior Vice President
(Principal Financial Officer)

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.

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