

STONEMOR PARTNERS LP
Form 10-K
February 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _____ TO _____ .

Commission File Number: 001-32270

STONEMOR PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

311 Veterans Highway, Suite B

Levittown, Pennsylvania
(Address of principal executive offices)

19056
(Zip Code)

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

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

Title of each class

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting

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company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

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

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

Documents incorporated by reference: None

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

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FORM 10-K OF STONEMOR PARTNERS L.P.

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OVERVIEW**

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

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

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

Interment Rights	Merchandise	Services
burial lots		
	burial vaults	installation of burial vaults
lawn crypts		
	caskets	installation of caskets
mausoleum crypts		
	grave markers and grave marker bases	installation of other cemetery merchandise
cremation niches		
perpetual care rights	memorials	other service items

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

aggregated weighted average remaining sales life of 237 years.

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

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

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

OPERATIONS

Segment Reporting and Related Information

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

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

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

Cemetery Operations

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

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

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

Funeral Home Operations

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

Cremation Products and Services

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

Seasonality

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

Sales Contracts

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

Trusts

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

Sales Personnel, Training and Marketing

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

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

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

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

Acquisitions and Long-Term Operating Agreements

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

2015

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

2014

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

2013

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

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Competition

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

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

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

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

REGULATION

General

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

Cooling-Off Legislation

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

refund of the funds paid.

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Trusting

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

Truth in Lending Act and Regulation Z

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

Other Consumer Credit-Related Laws and Regulations

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

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

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

Telemarketing Laws

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

Occupational Safety and Health Act and Environmental Law Requirements

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

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

Federal Trade Commission

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

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

Future Enactments and Regulation

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

Environmental Regulations and Liabilities

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

Clean Air Act

The Federal Clean Air Act and similar state laws, which regulate emissions into the air, can affect crematory operations through permitting and emissions control requirements. Our cremation operations may be subject to Clean

Air Act regulations under federal and state law and may be subject to enforcement actions if these operations do not conform to the requirements of these laws.

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Emergency Planning and Community Right-to-Know Act

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

Clean Water Act

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

Comprehensive Environmental Response, Compensation, and Liability Act

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

Underground and Above Ground Storage Tank Laws and Solid Waste Laws

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

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Employees

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

Available Information

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

Financial Information

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

ITEM 1A. RISK FACTORS

RISK FACTORS RELATED TO OUR BUSINESS

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

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

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

the volume of our sales;

the prices at which we sell our products and services; and

the level of our operating and general and administrative costs.

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

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

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

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

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

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

enter into a new line of business;

enter into any agreement of merger or acquisition;

sell, transfer, assign or convey assets;

grant certain liens;

incur or guarantee additional indebtedness;

make certain loans, advances and investments;

declare and pay dividends and distributions;

enter into transactions with affiliates; and

make voluntary payments or modifications of indebtedness.

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

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

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

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

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

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

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

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

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

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

In certain states, we have withdrawn allowable distributable earnings including gains prior to the maturity or cancellation of the related contract. Additionally, some states have laws that either require replenishment of

investment losses under certain circumstances or impose various restrictions on withdrawals of future earnings when trust fund values drop below certain prescribed amounts. In the event of realized losses or market declines, we may be required to deposit portions or all of these amounts into the respective trusts in some future period.

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

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

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

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

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

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

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

The cemetery and funeral home industry continues to be competitive.

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

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

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

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

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

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

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

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

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

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

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

strategies we may implement to address these trends may prove incorrect or ineffective.

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

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

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

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

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

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

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

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

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

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

REGULATORY AND LEGAL RISKS

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

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

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

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

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

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

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

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

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

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

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

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

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

resources from our business operations and the implementation of our business strategy, which may negatively impact our financial

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

RISK FACTORS RELATED TO AN INVESTMENT IN US

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

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

The board of directors of our general partner is elected by GP Holdings, except that Messrs. Miller and Shane acting collectively have the right to designate one director who will be Lawrence R. Miller so long as he serves as the Chief Executive Officer of StoneMor GP or desires to serve as a director of StoneMor GP and thereafter will be William R. Shane. Although our general partner has a fiduciary duty to manage us in good faith, the directors of our general partner also have a fiduciary duty to manage our general partner in a manner beneficial to GP Holdings, as the sole member of our general partner. By purchasing common units, unitholders will be deemed to have consented to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable law.

Our partnership agreement limits the liability of our general partner, reduces its fiduciary duties and restricts the remedies available to unitholders for actions that might, without the limitations, constitute breaches of fiduciary duty.

Our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional limited partner interests and reserves, each of which can affect the amount of cash that is distributed to unitholders.

Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf.

Our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates.

In some instances, our general partner may cause us to borrow funds or sell assets outside of the ordinary course of business in order to permit the payment of distributions, even if the purpose or effect of the borrowing is to make distributions in respect of incentive distribution rights.

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

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

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

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

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

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

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

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

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

your proportionate ownership interest in us will decrease;

the amount of cash available for distribution on each unit may decrease;

the relative voting strength of each previously outstanding unit may be diminished;

the market price of the common units may decline; and

the ratio of taxable income to distributions may increase.

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

Prior to making any distribution on the common units, we will reimburse our general partner and its affiliates for all expenses they incur on our behalf. The reimbursement of expenses could adversely affect our ability to pay cash

distributions to you. Our general partner determines the amount of these expenses. In addition, our general partner and its affiliates may provide us with other services for which we will be charged fees as determined by our general partner.

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

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

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

provide for the proper conduct of our business;

comply with applicable law, the terms of any of our debt instruments or other agreements; or

provide funds for distributions to its unitholders and general partner for any one or more of the next four calendar quarters.

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

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

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

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

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

TAX RISKS TO COMMON UNITHOLDERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A successful IRS challenge to these methods or allocations could adversely affect the timing or amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our

unitholders tax returns without the benefit of additional deductions.

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

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

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

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

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

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

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

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

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

ITEM 2. PROPERTIES

CEMETERIES AND FUNERAL HOMES

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

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

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Tennessee	11	5	657	257	1,561
Virginia	34	2	1,183	191	3,201
Washington	3	2	33	45	174
West Virginia	33	2	1,404	516	1,451
Total	307	105	15,901	237	35,467

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

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

the number of burial lots sold, net of cancellations;

the number of spaces sold in existing mausoleum crypts, net of cancellations; and

the number of spaces sold in mausoleum crypts that we have not yet built, net of cancellations.

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

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

	0 - 25 years	26 - 49 years	50 - 100 years	101 - 150 years	151 - 200 years	Over 200 years
Alabama		1	3		1	4
California	2	2	1	1		1
Colorado						2
Delaware					1	
Florida		2	4		2	1
Georgia		1	1	1		4
Hawaii						1
Illinois	1	1		3	1	5
Indiana		1				10
Iowa					1	
Kansas					2	1
Kentucky		1				1
Maryland	1	2	1	2		4
Michigan		1	2			10
Mississippi					1	1
Missouri					1	5
New Jersey	1	4				1
North Carolina		1	6	1	1	10

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Ohio			3	1		10
Oregon				3		4
Pennsylvania	9	1	7	3	3	45
Puerto Rico	1	1		1		4
Rhode Island						2
South Carolina			1	1		6
Tennessee		1			3	7
Virginia	2		6	5	3	18
Washington	1	1	1			
West Virginia	4		1	3	2	23
Total	22	21	37	25	22	180

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

OTHER

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

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

ITEM 3. LEGAL PROCEEDINGS

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

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MARKET INFORMATION

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

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

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

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

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

If we elect to pay cash distributions through the issuance of PIK Units, the number of common units to be issued in connection with a quarterly cash distribution will be the quotient of (i) the amount of the quarterly cash distribution paid on the common units by (ii) the volume-weighted average price of the common units for the thirty (30) trading days immediately preceding the date the quarterly cash distribution is declared with respect to the common units. Beginning with the quarterly cash distribution payable with respect to the quarter ending September 30, 2018, the ACII Units will receive cash distributions on the same basis as all other common units and we will no longer have the

ability to elect to pay quarterly cash distributions in PIK Units. We issued 204,804 PIK Units to ACII in lieu of cash distributions of \$5.8 million during the year ended December 31, 2015. For information concerning common units authorized for issuance under our long-term incentive plan, see Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

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

	As of and for the Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except for per unit data)				
STATEMENT OF OPERATIONS DATA:					
Revenues:					
Cemetery:					
Merchandise	\$ 131,862	\$ 132,355	\$ 110,673	\$ 114,025	\$ 108,088
Services	56,243	51,827	44,054	46,094	46,995
Investment and other	59,765	55,217	46,959	46,808	42,901
Funeral home:					
Merchandise	26,722	21,060	18,922	15,551	12,810
Services	31,048	27,626	26,033	20,128	17,594
Total revenues	305,640	288,085	246,641	242,606	228,388
Costs and Expenses:					
Cost of goods sold	38,924	33,652	27,859	28,101	26,115
Cemetery expense	71,296	64,672	57,566	55,410	57,145
Selling expense	58,884	55,277	47,832	46,878	45,291
General and administrative expense	36,371	35,110	31,873	28,928	29,544
Corporate overhead	38,609	34,723	29,926	31,292	28,370
Depreciation and amortization	12,803	11,081	9,548	9,431	8,534
Funeral home expenses:					
Merchandise	6,928	6,659	5,569	5,200	4,473
Services	22,959	20,470	19,190	14,574	11,717
Other	17,526	12,581	10,895	8,951	7,364
Total cost and expenses	304,300	274,225	240,258	228,765	218,553
Operating income	1,340	13,860	6,383	13,841	9,835
Gain on acquisitions and divestitures	1,540	656	2,685	122	92
Gain on settlement agreement, net		888	12,261	1,737	
Legal settlement	(3,135)				
Loss on early extinguishment of debt		(214)	(21,595)		(4,463)
Loss on impairment of long-lived assets	(296)	(440)			
Interest expense	(22,585)	(21,610)	(21,070)	(20,503)	(19,198)
Loss before income taxes	(23,136)	(6,860)	(21,336)	(4,803)	(13,734)

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Income tax benefit (expense)	(1,108)	(3,913)	2,304	1,790	4,019
Net loss	\$ (24,244)	\$ (10,773)	\$ (19,032)	\$ (3,013)	\$ (9,715)
Net loss per limited partner unit (basic and diluted)	\$ (0.79)	\$ (0.40)	\$ (0.89)	\$ (0.15)	\$ (0.50)

BALANCE SHEET DATA (at period end):

Cemetery property	\$ 342,639	\$ 339,848	\$ 316,469	\$ 309,980	\$ 298,938
Total assets	\$ 1,686,125	\$ 1,690,375	\$ 1,466,035	\$ 1,334,487	\$ 1,239,941
Deferred cemetery revenues, net	\$ 637,536	\$ 643,408	\$ 579,993	\$ 497,861	\$ 441,678
Total debt	\$ 318,839	\$ 278,540	\$ 283,624	\$ 245,711	\$ 186,505
Total partners capital	\$ 183,678	\$ 208,762	\$ 107,520	\$ 135,182	\$ 180,279

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	As of and for the Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except for per unit data)				
CASH FLOW DATA:					
Net cash flow provided by operating activities	\$ 4,062	\$ 19,448	\$ 35,077	\$ 31,896	\$ 5,466
Net cash flow used in investing activities	\$(34,139)	\$(123,658)	\$(26,697)	\$(39,948)	\$(29,186)
Net cash flow provided by (used in) financing activities	\$ 34,829	\$ 102,436	\$ (4,151)	\$ 3,940	\$ 28,243
Change in assets and liabilities:					
Net cash flow used in the change to merchandise trust assets	\$(52,332)	\$ (28,828)	\$(36,919)	\$(11,806)	\$(23,889)
Cash paid for capital expenditures	\$(15,339)	\$ (14,574)	\$(12,752)	\$(11,972)	\$(13,166)
	Years Ended December 31,				
	2015	2014	2013	2012	2011
OPERATING DATA:					
Interments performed	54,837	50,566	45,470	45,128	45,236
Interment rights sold (1)					
Lots	33,262	31,774	27,339	26,638	26,403
Mausoleum crypts (including pre-construction)	2,205	2,186	2,108	2,206	2,518
Niches	1,619	1,466	1,096	985	1,126
Net interment rights sold (1)	37,086	35,426	30,543	29,829	30,047
Number of cemetery contracts written	113,696	103,859	97,220	96,308	100,289
Cemetery contract revenues, in thousands	\$ 262,383	\$ 238,331	\$ 214,857	\$ 207,783	\$ 202,290
Average amount per contract	\$ 2,308	\$ 2,295	\$ 2,210	\$ 2,157	\$ 2,017
Number of pre-need cemetery contracts written	52,228	48,585	48,272	47,186	49,533
Pre-need cemetery contract revenues, in thousands (1)	\$ 158,806	\$ 145,607	\$ 134,857	\$ 128,437	\$ 122,789
Average amount per pre-need contract	\$ 3,041	\$ 2,997	\$ 2,794	\$ 2,722	\$ 2,479
Number of at-need cemetery contracts written	61,468	55,274	48,948	49,122	50,756
At-need cemetery contract revenues, in thousands (1)	\$ 103,577	\$ 92,724	\$ 80,000	\$ 79,346	\$ 79,501
Average amount per at-need contract	\$ 1,685	\$ 1,678	\$ 1,634	\$ 1,615	\$ 1,566

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

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

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

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

BUSINESS OVERVIEW

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

FINANCIAL PRESENTATION

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

RECENT DEVELOPMENTS

Acquisition Activity

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

Public Offering of Common Units

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

ATM Equity Program

On November 19, 2015, we entered into an equity distribution agreement (ATM Equity Program) with a group of banks (the Agents) whereby we may sell, from time to time, common units representing limited partner interests having an aggregate offering price of up to \$100,000,000. Sales of common units, if any, may be made in negotiated

transactions or transactions that are deemed to be at-the-market (ATM) offerings as defined in Rule 415 of the Securities Act, including sales made directly on the New York Stock Exchange, the existing trading market for the common units, or sales made to or through the market maker other than on an

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

SUBSEQUENT EVENTS

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

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

REVENUE RECOGNITION

Cemetery Operations

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

Funeral Home Operations

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

Trust Investment Income

Sales of cemetery and funeral home merchandise and services are subject to state law. Under these laws, which vary by state, a portion of the cash proceeds received from the sale of interment rights and pre-need sales of cemetery and funeral home merchandise and services are required to be deposited into trusts. For sales of interment rights, a portion

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

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

GENERAL TRENDS AND OUTLOOK

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

RESULTS OF OPERATIONS

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

Cemetery Operations**Overview**

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

Operating Results

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

	Years Ended December 31,		
	2015	2014	2013
Merchandise	\$ 131,862	\$ 132,355	\$ 110,673
Services	56,243	51,827	44,054
Interest income	8,671	7,628	6,926

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Investment and other	51,094	47,589	40,033
Total revenue	247,870	239,399	201,686
Cost of goods sold	38,924	33,652	27,859
Cemetery expense	71,296	64,672	57,566
Selling expense	58,884	55,277	47,832
General and administrative expense	36,371	35,110	31,873
Total cost and expenses	205,475	188,711	165,130
Operating income	\$ 42,395	\$ 50,688	\$ 36,556

Table of Contents**Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014**

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

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

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

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

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

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

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

was primarily due to a larger average accounts receivable balance during calendar year 2014.

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

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

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

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

Funeral Home Operations**Overview**

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

Operating Results

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

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

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

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

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

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

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

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

Corporate Overhead

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

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

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

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

Depreciation and amortization

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

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

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

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

Other gains and losses

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

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

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

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

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

Interest expense

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

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

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

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

Income tax benefit (expense)

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

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

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

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

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LIQUIDITY AND CAPITAL RESOURCES

General

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

cash distributions and maintenance capital expenditures through existing cash and cash flows from operating activities;

expansion capital expenditures and working capital deficits through cash generated from operations and additional borrowings; and

debt service obligations through additional borrowings or by the issuance of additional limited partner units or asset sales.

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

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

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

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

Net cash used in investing activities was \$34.1 million during the year ended December 31, 2015, a decrease of \$89.6 million from \$123.7 million during the year ended December 31, 2014. Net cash used for investing activities during

calendar year 2015 consisted of \$18.8 million for acquisitions and \$15.3 million for capital expenditures. Net cash used for investing activities during calendar year 2014 principally consisted of \$56.4 million for acquisitions, \$53.0 million of up-front rent for the transaction with the Archdiocese of Philadelphia and \$14.6 million for capital expenditures.

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

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

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

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

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

Capital Expenditures

Our capital requirements consist primarily of:

Expansion capital expenditures we consider expansion capital expenditures to be capital expenditures that expand the capacity of our existing operations; and

Maintenance capital expenditures we consider maintenance capital expenditures to be any capital expenditures that are not expansion capital expenditures generally, this will include expenditures to maintain our facilities.

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

Years Ended December 31,

	2015	2014	2013
Maintenance capital expenditures	\$ 7,937	\$ 8,398	\$ 6,986
Expansion capital expenditures	7,402	6,176	5,766
Total capital expenditures	\$ 15,339	\$ 14,574	\$ 12,752

Off Balance Sheet Arrangements, Contractual Obligations and Contingencies

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

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

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

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

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

Issuance of Common Units

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

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

Long-Term Debt**Credit Facility**

We are a party to the Fourth Amended and Restated Credit Agreement (the Credit Agreement), which provides for a single revolving credit facility of \$180.0 million (the Credit Facility) maturing on December 19, 2019. Additionally, the Credit Agreement provides for an uncommitted ability to increase the Credit Facility by an additional \$70.0

million. Our obligations under the Credit Facility are secured by substantially all of our assets, excluding those held in trust. Borrowings under the Credit Facility are classified as either acquisition draws or working capital draws. Acquisition draws may be utilized to finance permitted acquisitions, the purchase and construction of mausoleums and related costs or the net amount of merchandise trust deposits. Working capital draws may be utilized to finance working capital requirements, capital expenditures and for other general corporate purposes. The amount of the Credit Facility that is available for working capital draws is subject to a borrowing formula equal to 85% of eligible accounts receivable, as defined within the Credit Agreement. At December 31, 2015, the amount available under the Credit Facility for working capital advances under this limit was \$139.0 million.

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

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

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

Consolidated EBITDA (as defined in the Credit Agreement), calculated over a period of four consecutive fiscal quarters, to be no less than the sum of (i) \$80.0 million plus (ii) 80% of the aggregate Consolidated EBITDA for each permitted acquisition completed after June 30, 2014;

the ratio of Consolidated EBITDA (as defined in the Credit Agreement) to Consolidated Debt Service (as defined in the Credit Agreement), calculated over a period of four fiscal quarters, or the Consolidated Debt Service Coverage Ratio, of not less than 2.50 to 1.00 for any period; and

the ratio of Consolidated Funded Indebtedness (as defined in the Credit Agreement) to Consolidated EBITDA (as defined in the Credit Agreement), calculated over a period of four fiscal quarters, or the Consolidated Leverage Ratio, of not greater than 4.00 to 1.00 for any period.

Senior Notes

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

At any time prior to June 1, 2016, we may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of certain equity offerings at the redemption price of 107.875%, plus accrued and unpaid interest, if any, to the redemption date, provided that (i) at least 65% of the aggregate principal amount of the Senior

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Notes remain outstanding and (ii) the redemption occurs within 180 days of the closing date of such equity offering. At any time on or after June 1, 2016, we may redeem the Senior Notes, in whole or in part, at the redemption prices (expressed as percentages of the principal amount) set forth below, together with accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period beginning June 1 of the years indicated:

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

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

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

Cash Distribution Policy

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

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

13.0% of all cash distributed in any quarter after each common unit has received \$0.5125 for that quarter;

23.0% of all cash distributed in any quarter after each common unit has received \$0.5875 for that quarter;
and

48.0% of all cash distributed in any quarter after each common unit has received \$0.7125 for that quarter.

Agreements with the Archdiocese of Philadelphia

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

Lease Years 1-5

None

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

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

Table of Contents**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

Deferred Cemetery Revenues, Net

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

Accounts Receivable Allowance for Cancellations

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

Other-Than-Temporary Impairment of Trust Assets

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

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

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

Whether it is our intent to sell the security. If there is intent to sell, the impairment is considered to be other-than-temporary.

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

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

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

Goodwill

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

Income Taxes

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

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

In evaluating our ability to recover deferred tax assets, we consider all available positive and negative evidence, including our past operating results, recent cumulative losses and our forecast of future taxable income. In determining future taxable income, we make assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to

make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Any reduction in estimated future taxable income may require us to record an additional valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings.

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

Table of Contents**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

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

INTEREST-BEARING INVESTMENTS

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

MARKETABLE EQUITY SECURITIES

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

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DEBT INSTRUMENTS

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

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

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

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

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

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

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

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

February 29, 2016

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STONEMOR PARTNERS L.P.
CONSOLIDATED BALANCE SHEETS

(in thousands)

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

Partners' Capital

General partner interest	(10,038)	(5,113)
Common limited partners' interests	193,716	213,875
Total partners' capital	183,678	208,762
Total liabilities and partners' capital	\$ 1,686,125	\$ 1,690,375

See Accompanying Notes to the Consolidated Financial Statements.

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STONEMOR PARTNERS L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data)

	Years Ended December 31		
	2015	2014	2013
Revenues:			
Cemetery:			
Merchandise	\$ 131,862	\$ 132,355	\$ 110,673
Services	56,243	51,827	44,054
Investment and other	59,765	55,217	46,959
Funeral home:			
Merchandise	26,722	21,060	18,922
Services	31,048	27,626	26,033
Total revenues	305,640	288,085	246,641
Costs and Expenses:			
Cost of goods sold	38,924	33,652	27,859
Cemetery expense	71,296	64,672	57,566
Selling expense	58,884	55,277	47,832
General and administrative expense	36,371	35,110	31,873
Corporate overhead	38,609	34,723	29,926
Depreciation and amortization	12,803	11,081	9,548
Funeral home expenses:			
Merchandise	6,928	6,659	5,569
Services	22,959	20,470	19,190
Other	17,526	12,581	10,895
Total cost and expenses	304,300	274,225	240,258