STONEMOR PARTNERS LP
Form 10-K
March 16, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED December 31, 2014

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number: 001-32270

STONEMOR PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware	**80-0103159**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

311 Veterans Highway, Suite B

Levittown, Pennsylvania	**19056**
(Address of principal executive offices)	**(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 x

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 x

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 x 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 x No ¨

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

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

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

Large accelerated filer ¨	Accelerated filer x
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 x

The aggregate market value of the common units held by non-affiliates of the registrant was approximately $633.8 million as of June 30, 2014 based on $24.23, 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 March 2, 2015 was 29,258,434.

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, 2014, 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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PART I

Item 1. Business

Overview

We were formed as a Delaware limited partnership in April 2004 to own and operate the assets and businesses previously owned and operated by Cornerstone Family Services, Inc., (Cornerstone), which was converted into CFSI LLC, a limited liability company (CFSI), prior to our initial public offering of common units representing limited partner interests on September 20, 2004. Cornerstone had been founded in 1999 by members of our management team and a private equity investment firm, which we refer to as McCown De Leeuw, in order to acquire a group of 123 cemetery properties and 4 funeral homes. On November 30, 2010, McCown De Leeuw transferred certain of its interests to MDC IV Trust U/T/A November 30, 2010, MDC IV Associates Trust U/T/A November 30, 2010 and Delta Trust U/T/A November 30, 2010, which we collectively refer to as the MDC IV Liquidating Trusts, and McCown De Leeuw was subsequently terminated. On May 21, 2014, Cornerstone Family Services LLC, a Delaware limited liability company (CFS), and its direct and indirect subsidiaries: CFSI LLC and StoneMor GP LLC, our general partner (StoneMor GP or general partner), completed a series of transactions (the Reorganization) to streamline the ownership structure of CFSI and StoneMor GP. As a result of the Reorganization, StoneMor GP became a wholly-owned subsidiary of StoneMor GP Holdings LLC, a Delaware limited liability company (GP Holdings), formerly known as CFSI, and GP Holdings is owned by (i) a trustee of the trust established for the pecuniary benefit of American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company (ACII), which trustee has exclusive voting and investment power over approximately 67.03% of membership interests in GP Holdings, and (ii) certain directors, affiliates of certain directors and current and former executive officers of our general partner. See Part III of this Annual Report on Form 10-K for a more detailed discussion of the Reorganization. In this Annual Report on Form 10-K, unless the context otherwise requires, references to we, us, our, StoneMor, the Company, or the Partnership are to StoneMor Partners L.P. and its subsidiaries.

We are currently the second largest owner and operator of cemeteries and funeral homes in the United States. As of December 31, 2014, we operated 303 cemeteries in 27 states and Puerto Rico. We own 272 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, 2014, we also owned and operated 98 funeral homes in 19 states and Puerto Rico. Forty-five 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	memorials	other service items
perpetual care rights		

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, generate qualifying income sufficient for us to be treated as a partnership for federal income tax purposes. In 2014, we performed 50,566 burials and sold 35,426 interment rights (net of cancellations). Based on our sales of interment spaces in 2014, our cemeteries have an aggregated weighted average remaining sales life of 247 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

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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 83.1%, 81.8% and 85.3% of our revenues in 2014, 2013 and 2012, respectively.

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 16.9%, 18.2% and 14.7% of our revenues in 2014, 2013 and 2012, 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 five distinct reportable segments, which are classified as Cemetery Operations Southeast, Cemetery Operations Northeast, Cemetery Operations West, Funeral Homes, and Corporate.

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

Our Cemetery Operations segments sell interment rights, caskets, burial vaults, cremation niches, markers and other cemetery related merchandise. The nature of our customers differs in each of our regionally based Cemetery Operations segments. Cremation rates in the West region are substantially higher than they are in the Southeast region. Rates in the Northeast region tend to be somewhere between the two. Statistics indicate that customers who select cremation services have certain attributes that differ from customers who select other methods of interment. The disaggregation of cemetery operations into the three distinct regional segments is primarily due to these differences in customer attributes along with the previously mentioned management structure and senior management analysis methodologies.

Our Funeral Homes segment offers a range of funeral-related services such as family consultation, 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 segments.

Our Corporate segment includes various home office selling and administrative expenses that are not allocable to the other 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

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the surface of the ground, and the casket is placed inside the vault. Burial vaults prevent ground settling that otherwise occurs when a casket, placed directly in the ground, begins to decay creating uneven ground surface. Ground settling typically results in higher maintenance costs and increased potential liability for slip-and-fall accidents on the property. Lawn crypts are a series of closely spaced burial lots with preinstalled vaults and other improvements, such as landscaping, sprinkler systems and drainage. A mausoleum crypt is an above ground structure that may be designed for a particular customer, which we refer to as a private mausoleum, or it may be a larger building that serves multiple customers, which we refer to as a community mausoleum. Cremation niches are spaces in which the ashes remaining after cremation are stored. Cremation niches are often part of community mausoleums, although we sell a variety of cremation niches to accommodate our customers preferences.

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

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.

As of December 31, 2014, we provided services to 31 cemeteries under long-term lease, operating or management agreements with the nonprofit cemetery companies that own the cemeteries. These nonprofit cemeteries are organized as such either because state law requires cemetery properties to be owned by nonprofit entities, such as in New Jersey, or because they were originally established as nonprofit entities. We have voting rights, along with member owners of burial spaces, in the five New Jersey nonprofit cemeteries as a result of owning all of their outstanding certificates of indebtedness or interest. To obtain the benefit of professional management services, the remaining 26 nonprofit cemeteries have entered into agreements with us. The agreements under which we operate these 31 nonprofit cemeteries generally have terms ranging from 3 to 60 years (but some are subject to early termination rights and obligations) and provide us with management or operating fees that approximate what we would earn if we owned those cemeteries and held them in for-profit entities.

In 2014, of the 31 cemeteries we operated under long-term lease, operating or management agreements, 15 cemeteries, including 13 cemeteries related to the transaction with the Archdiocese of Philadelphia that closed in the second quarter of 2014, did not qualify as acquisitions for accounting purposes. As a result, we did not consolidate all of the existing assets and liabilities related to these cemeteries. We have consolidated the existing assets and liabilities of these cemeteries merchandise and perpetual care trusts as variable interest entities since we control and receive the benefits and absorb any losses from operating these trusts. Under these long-term lease, operating or management agreements, which are subject to certain termination provisions, we are the exclusive operator of these cemeteries. We earn revenues related to sales of merchandise, services, and interment rights and incur expenses related to such sales and the maintenance and upkeep of these cemeteries. Upon termination of these contracts, we will retain all of the benefits and related contractual obligations incurred from sales generated during the contract period. We have also recognized the existing merchandise liabilities assumed as part of these agreements.

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Funeral Home Operations

As of December 31, 2014, we owned, operated or managed 98 funeral homes, 45 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, 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.

We purchase caskets from Thacker Caskets, Inc. under a supply agreement that expires on December 31, 2015. This agreement entitles us to specified discounts on the price of caskets but gives Thacker Caskets, Inc. the right of first refusal on all of our casket purchases. We do not have minimum purchase requirements under this supply agreement.

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. See Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Cemetery Operations Pre-need Sales and At-need Sales fo a description of our pre-need and at-need products and services.

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. For a detailed discussion of these trusts, see Management s Discussion and Analysis of Financial Condition and Results of Operations Trusting.

Sales Personnel, Training and Marketing

As of December 31, 2014, we employed 876 full-time commissioned salespeople and 133 full-time sales support and telemarketing employees. We had ten regional sales vice presidents supporting our cemetery 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

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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 13 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:

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.

2012

We completed six acquisitions during the year ended December 31, 2012, which included 5 cemeteries and 17 funeral homes. The acquired properties were located in Ohio, Illinois, California, Oregon and Florida. The aggregate fair value of the total consideration paid for these acquisitions was $34.9 million. Effective March 31, 2012, we terminated a long-term operating agreement entered into in 2010 related to 3 cemeteries with the Archdiocese of Detroit, resulting in a gain of $1.7 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

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. See Management s Discussion and Analysis of Financial Condition and Results of Operations Trusting.

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.

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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 Planning and Community Right-to-Know Act (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.

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Clean Air Act

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

Emergency Planning and Community Right-to-Know Act

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

Comprehensive Environmental Response, Compensation, and Liability Act

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

Underground and Above Ground Storage Tank Laws and Solid Waste Laws

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

Employees

As of December 31, 2014, our general partner and its affiliates employed 3,304 full-time and 76 part-time employees. Fifty-six of these employees are represented by various unions in Pennsylvania, Ohio, California,

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New Jersey and Illinois, and are subject to collective bargaining agreements that have expiration dates ranging from June 2015 to January 2018. 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 Part II, 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.

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 and the same may be true if we do not increase our distributions as projected. We expect that we will need working capital borrowings of approximately

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$49.0 million during the year ending December 31, 2015 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, 2014, we had approximately $110.9 million of total debt outstanding on a revolving credit facility that matures in December 2019, which would give us approximately $69.1 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, 2014, we had approximately $85.9 million of working capital draws, which are limited to a borrowing formula of 85% of eligible account receivables. This limit was $128.6 million at December 31, 2014. In addition, as of December 31, 2014, 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 Long-Term Debt.

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.

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.

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The cemetery and funeral home industry continues to be competitive.

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

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

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

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

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

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

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

A primary component of our business strategy is to grow through acquisitions of cemeteries and, to a lesser extent, funeral homes. We cannot assure you that we will be able to identify and acquire cemeteries 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, 2014, we had approximately $69.1 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, acquisition related costs and mausoleum

construction costs, and working capital draws, which are used to finance all other corporate costs. As of December 31, 2014, we had approximately $85.9 million of working capital draws, which are limited to a borrowing formula of 85% of eligible account receivables. This limit was $128.6 million at December 31, 2014.

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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 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 will be performed for approximately 44% of the deaths in the United States in 2015. 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. Currently, there are significant federal legislative proposals, which call for a national set of laws regarding data breaches, requiring timely notification to affected

individuals. One proposal aims to serve as policy for which data may be collected from individuals and how that data may be used and how data breaches must be handled and reported. To the extent any of these developments result in the adoption of new laws or regulations or increased enforcement, it could

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increase our compliance costs. 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. 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 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

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follow-up with existing contacts. Additional laws or regulations limiting our ability to market through direct mail, over the telephone, through Internet and e-mail advertising or door-to-door may make it difficult to identify potential customers, which could increase our costs of marketing. Both increases in marketing costs and restrictions on our ability to market effectively could reduce our revenues and could have an adverse effect on our business, operations and financial condition, as well as our ability to make cash distributions to you.

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

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

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

Our crematory operations may be subject to regulation under the federal Clean Air Act and any analogous state laws. If new regulations applicable to our crematory operations were to be adopted, they could require permits or capital expenditures that could increase our costs of operation and compliance.

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 currently a defendant in an action alleging violations of the Fair Labor Standards Act, in which plaintiff will be seeking to certify a nationwide class. Generally, plaintiffs in class action litigation may seek to recover amounts, which may be indeterminable for some period of time although potentially large. Adverse outcomes in the pending cases may result in monetary damages or injunctive relief against us, as litigation and other claims are subject to inherent uncertainties. For each of our outstanding legal matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies, and the likelihood of an unfavorable outcome. We base our assessments, estimates and disclosures on the information available to us at the time. Actual outcomes or losses may differ materially from assessments and estimates. Costs to defend litigation claims and legal proceedings and the cost of actual settlements, judgments or resolutions of these claims and legal proceedings may negatively affect our business and financial performance. We hold insurance policies that may reduce cash outflows with respect to an adverse outcome of certain litigation matters, but exclude certain claims, such as claims arising under the Fair Labor Standards Act. To the extent that our management will be required to participate in or otherwise devote substantial amounts of time to the defense of these matters, such activities would result in the diversion of our management resources from our business operations and the implementation of our business strategy, which may negatively impact our financial position and results of operations. Any adverse publicity

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

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Risk Factors Related to an Investment in Us

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

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

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

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

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

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

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

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

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

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

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

Unitholders voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than the general

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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 partnership s 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.

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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.

Although we do not believe based upon our current operations that we are so treated, and despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. A change in our business (or a change in law) could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

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.

The IRS audited our federal income tax return for the year ended December 31, 2010. The scope of that federal income tax audit included an audit of our qualifying income. In order for us to be treated as a partnership for federal income tax purposes, at least 90% of our gross income must be qualifying income. The IRS concluded its audit and notified us on April 11, 2013 that it was not proposing any adjustments to the return as filed.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. For example, from time to time, members of the U.S. Congress propose and consider substantive changes to the federal income tax laws that affect publicly traded partnerships.

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Currently, one such legislative proposal would eliminate 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 reconsidered or will ultimately be enacted. Any such changes could negatively impact the amount of cash available for distribution to you and 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.

Current law may change to cause us to be treated as a corporation for U.S. federal income tax purposes or otherwise subjecting us to entity level taxation. Specifically, 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 propose and consider substantive changes to the existing U.S. federal income tax laws that affect publicly traded partnerships. 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.

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.

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

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

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

If you sell your common units, you will recognize a gain or loss equal to the difference between your amount realized and your tax basis in those common units. Because distributions in excess of your allocable share of our total net taxable income decrease your tax basis in your common units, the amount, if any, of such prior excess distributions with respect to the units you sell will, in effect, become taxable income to you if you sell such units at a price greater than your tax basis in those units, even if the price you receive is less than your original cost. Furthermore, a substantial portion of the amount realized, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. 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.

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

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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 that may result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of the common units.

When we issue additional units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. If the IRS challenges our methodology it may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

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

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

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

things, the partnership will be required to provide only a single Schedule K-1 to unitholders for the tax years in which the termination occurs.

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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 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.

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 use of this proration method may not be permitted under existing Treasury Regulations. Recently, however, the U.S. Treasury Department issued proposed Treasury Regulations that provide a safe harbor pursuant to which publicly traded partnerships may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders. Nonetheless, the proposed regulations do not specifically authorize the use of the proration method we have adopted. 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. Vinson & Elkins L.L.P. has not rendered an opinion with respect to whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations.

Item 1B. Unresolved Staff Comments

None.

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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, 2014 as well as the weighted average estimated remaining sales life in years for our cemeteries based upon the number of interment spaces sold during 2014:

	Cemeteries	Funeral Homes	Total Net Acres	Weighted Average Estimated Net Sales Life in Years	Number of Interment Spaces Sold in 2014
Alabama	9	6	305	194	1,312
Arkansas		2			
California	7	8	270	54	1,334
Colorado	2		12	502	28
Delaware	1		12	355	13
Florida	8	24	255	130	764
Georgia	7		135	161	752
Hawaii	1		6	201	
Illinois	8	1	276	59	2,748
Indiana	11	5	1,013	362	1,396
Iowa	1		89	190	166
Kansas	3	2	84	160	291
Kentucky	2		59	113	255
Maryland	10	1	716	115	2,057
Michigan	13		818	522	1,064
Mississippi	2	1	44	199	92
Missouri	6	5	277	278	632
New Jersey	6		341	40	1,759
North Carolina	19	2	619	131	3,199
Ohio	14	2	953	271	2,339
Oregon	7	11	162	285	496
Pennsylvania	68	10	5,319	441	6,090
Puerto Rico	7	5	209	256	461
Rhode Island	2		70	700	37
South Carolina	8	2	395	231	802
Tennessee	11	5	657	272	1,480
Virginia	34	2	1,183	241	2,553
Washington	3	2	33	36	224
West Virginia	33	2	1,404	465	1,616
Total	303	98	15,716	247	33,960

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 estimating remaining sales life, we defined unsold interment spaces as unsold burial lots and unsold spaces in existing

mausoleum crypts as of December 31, 2014. We defined interment spaces sold in 2014 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

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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 2014, we estimate that our cemeteries have an aggregate weighted average remaining sales life of 247 years.

The following table shows the cemetery properties that we owned or operated as of December 31, 2014, 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		2	3		3
California	2		3	1		1
Colorado						2
Delaware						1
Florida		1	3	1	1	2
Georgia		2		1	1	3
Hawaii						1
Illinois	2		2	1		3
Indiana		1				10
Iowa					1	
Kansas			1		1	1
Kentucky			1		1	
Maryland	1	1	3	1		4
Michigan		1			3	9
Mississippi		1				1
Missouri				2	1	3
New Jersey	2		3			1
North Carolina			8	4	4	3
Ohio			2	2		10
Oregon			1			6
Pennsylvania	7	2	8	4	4	43
Puerto Rico	1	1			2	3
Rhode Island						2
South Carolina		1		1	3	3
Tennessee			1		1	9
Virginia	2	1	4	6	2	19
Washington	1	2				
West Virginia	3	2	3	2	2	21
Total	22	16	45	29	27	164

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

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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.

In addition, we own a 13,500-square-foot plant in Butler County, Pennsylvania, where we manufacture burial vaults used in our cemetery operations.

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.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common units are listed on the New York Stock Exchange (NYSE) under the symbol STON . As of March 2, 2015, there were 29,258,434 common units outstanding, representing a 98.65% limited partner interest in us. As of February 19, 2015, there were 36,241 beneficial unitholders and 63 unitholders of record. 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 distributions declared on our common units.

	Price range		Declared
Quarter ended	High	Low	Distributions (1)
March 31, 2013	$ 26.99	$ 21.51	$ 0.5900
June 30, 2013	$ 28.00	$ 23.63	$ 0.5950
September 30, 2013	$ 26.99	$ 21.23	$ 0.6000
December 31, 2013	$ 26.51	$ 23.56	$ 0.6000
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

(1) Distributions declared during each quarter were paid within 45 days of the close of the previous quarter.

On May 21, 2014, the Partnership sold to ACII 2,255,947 common units (the Purchased Units) at an aggregate purchase price of $55.0 million (i.e., $24.38 per Purchased Unit) pursuant to a Common Unit Purchase Agreement (the Common Unit Purchase Agreement), dated May 19, 2014, by and between the Partnership and ACII. Pursuant to the Common Unit Purchase Agreement, commencing with the quarter ending June 30 2014, ACII is entitled to receive distributions equal to those paid on the common units generally. Through the quarterly distribution payable for the quarter ending June 30, 2018, such distributions may be paid in cash, common units issued to ACII in lieu of cash distributions (the Distribution Units), or a combination of cash and Distribution Units, as determined by the Partnership in its sole discretion.

If the Partnership elects to pay distributions through the issuance of Distribution Units, the number of common units to be issued in connection with a quarterly distribution will be the quotient of (A) the amount of the quarterly distribution paid on the common units by (B) the volume-weighted average price of the common units for the thirty (30) trading days immediately preceding the date a quarterly distribution is declared with respect to the common units. Beginning with the quarterly distribution payable with respect to the quarter ending September 30, 2018, the Purchased Units will receive cash distributions on the same basis as all other common units and the Partnership will no longer have the ability to elect to pay quarterly distributions in kind through the issuance of Distribution Units. On August 14, 2014 and November 14, 2014, the Company issued 57,062 and 54,678 Distribution Units, respectively, to ACII in lieu of aggregate cash distributions of approximately $2.8 million. See Notes 13 and 17 to the consolidated

financial statements included in Part II of this Annual Report on Form 10-K for additional information on the Purchased Units and Distribution Units.

Cash Distribution Policy

Quarterly Distributions of Available Cash

General

Within 45 days after the end of each quarter, we will distribute all of our available cash to unitholders of record on the applicable record date.

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Available cash for any quarter consists of cash on hand at the end of that quarter, plus cash on hand from working capital borrowings made after the end of the quarter but before the date of determination of available cash for the quarter, less cash reserves. Cash and other investments held in merchandise trusts and perpetual care trusts are not treated as available cash until they are distributed to us.

We are prohibited from making any distributions to unitholders if the distributions would cause an event of default, or if an event of default exists, under our debt agreements.

General Partner Interest and Incentive Distribution Rights

As of December 31, 2014, our general partner is entitled to 1.35% of all distributions that we make prior to our liquidation. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest. The general partner s interest in these distributions will be reduced if we issue additional units in the future and our general partner does not contribute a proportionate amount of capital to us at the time to maintain its 1.35% general partner interest.

Our general partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 49.35%, of the cash we distribute from operating surplus in excess of $0.5125 per unit. The maximum distribution of 49.35% includes distributions paid to the general partner on its 1.35% general partner interest, and assumes that the general partner maintains its general partner interest at 1.35%, but does not include any distributions that the general partner may receive on units that it owns.

Operating Surplus and Capital Surplus

General

All cash distributed to unitholders is characterized as either operating surplus or capital surplus. We distribute available cash from operating surplus differently than available cash from capital surplus. We treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus.

Operating Surplus

Operating surplus consists of:

- our cash balance on September 20, 2004; plus
- $5.0 million (as described below); plus
- cash receipts from our operations, including cash withdrawn from merchandise and perpetual care trusts; plus

working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for that quarter; less

operating expenditures, including cash deposited in merchandise and perpetual care trusts, maintenance capital expenditures and the repayment of working capital borrowings; less

the amount of cash reserves for future operating expenditures and maintenance capital expenditures.

As reflected above, operating surplus includes $5.0 million in addition to our cash balance on September 20, 2004, cash receipts from our operations and cash from working capital borrowings. This amount does not reflect actual cash on hand that is available for distribution to our unitholders. Rather, it is a provision that will enable us, if we choose, to distribute as operating surplus up to $5.0 million of cash we receive in the future from non-operating sources, such as asset sales outside the ordinary course of business, sales of our equity and debt securities, and long-term borrowings, that would otherwise be distributed as capital surplus.

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As described above, operating surplus is reduced by the amount of our maintenance capital expenditures but not our expansion capital expenditures. For our purposes, maintenance capital expenditures are those capital expenditures required to maintain, over the long term, the operating capacity of our capital assets, and expansion capital expenditures are those capital expenditures that increase, over the long term, the operating capacity of our capital assets.

Examples of maintenance capital expenditures include costs to build roads and install sprinkler systems on our cemetery properties and purchases of equipment for those purposes and, in most instances, costs to develop new areas of our cemeteries. Examples of expansion capital expenditures include costs to identify and complete acquisitions of new cemeteries and funeral homes and to construct new funeral homes. Costs to construct mausoleum crypts and lawn crypts may be considered to be a combination of maintenance capital expenditures and expansion capital expenditures. Our general partner, with the concurrence of its Conflicts Committee, may allocate capital expenditures between maintenance capital expenditures and expansion capital expenditures and may determine the period over which maintenance capital expenditures will be subtracted from operating surplus.

As described above, operating surplus is reduced by the amount of our operating expenditures. Our partnership agreement specifically excludes certain items from the definition of operating expenditures, such as cash expenditures made for acquisitions or capital improvements, including, without limitation, all cash expenditures, whether or not expensed or capitalized for tax or accounting purposes, incurred during the first four years following an acquisition in order to bring the operating capacity of the acquisition to the level expected to be achieved in the projections forming the basis on which our general partner approved the acquisition. Examples of such cash expenditures include certain maintenance capital expenditures and cash expenditures that we believe are necessary to develop the pre-need sales programs of businesses or assets we acquire. Where cash expenditures are made in part for acquisitions or capital improvements and in part for other purposes, our general partner, with the concurrence of our Conflicts Committee, will determine the allocation between the amounts paid for each and the period over which cash expenditures made for other purposes will be subtracted from operating surplus.

Capital Surplus

Capital surplus consists of:

- borrowings other than working capital borrowings;
- sales of our equity and debt securities; and
- sales or other dispositions of assets for cash (other than sales or other dispositions of excess cemetery property up to an aggregate amount in any four-quarter period calculated pursuant to our partnership agreement; sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business; and sales or other dispositions of assets as a part of normal retirements or replacements).

The exception for sales of excess cemetery property in any four-quarter period generally is calculated by multiplying $1.0 million by a fraction, the numerator of which is the number of cemeteries and funeral homes owned and operated by us on the last day of the quarter in which the sale occurs and the denominator of which is 139.

Distributions of Available Cash from Operating Surplus

The following table illustrates the priority of distributions of available cash from operating surplus between the unitholders and our general partner. The amounts set forth in the table in the column titled Marginal Percentage Interest in Distributions are the percentage interests of our general partner and the unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column

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titled Total Quarterly Distribution Target Amount per Common Unit, until the available cash from operating surplus that we distribute reaches the next target distribution level, if any. The percentage interests shown for our general partner include its 1.35% general partner interest and assume the general partner has contributed any additional capital required to maintain its current general partner interest and has not transferred the incentive distribution rights.

	Total Quarterly Distribution Target Amount per Common Unit	Marginal Percentage Interest in Distributions	
		Common Unitholders	General Partner
First Target Distribution	Up to $0.5125	98.65%	1.35%
Second Target Distribution	Above $0.5125 up to $0.5875	85.65%	14.35%
Third Target Distribution	Above $0.5875 up to $0.7125	75.65%	24.35%
Thereafter	Above $0.7125	50.65%	49.35%

Distributions of Available Cash from Capital Surplus

We do not currently expect to make any distributions of available cash from capital surplus. However, based on our general partner s current 1.35% ownership level, to the extent that we make any distributions of available cash from capital surplus, they will be made in the following manner:

first, 98.65% to all common unitholders, pro rata, and 1.35% to our general partner, until we have distributed for each common unit an amount of available cash from capital surplus equal to the initial public offering price;

thereafter, we will make all distributions of available cash from capital surplus as if they were from operating surplus.

The partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from the initial public offering, which is a return of capital. The initial public offering price less any distributions of capital surplus per unit is referred to as the unrecovered initial unit price. Each time a distribution of capital surplus is made the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price. Because distributions of capital surplus will reduce the first target distribution, after any of these distributions are made, it may be easier for the general partner to receive incentive distributions.

If we distribute capital surplus on a unit in an amount equal to the initial unit price and have paid all arrearages on the common units, the target distribution levels will be reduced to zero. Once the target distribution levels are reduced to zero, all subsequent distributions will be from operating surplus, with 50.65% being paid to the holders of units and 49.35% to our general partner.

Adjustment of Target Distribution Levels

In addition to adjusting the target distribution levels to reflect a distribution of capital surplus, if we combine our units into fewer units or subdivide our units into a greater number of units, we will proportionately adjust:

the target distribution levels; and

the unrecovered initial unit price.

For example, if a two-for-one split of the common units should occur, the target distribution levels and the unrecovered initial unit price would each be reduced to 50% of its initial level. We will not make any adjustment by reason of the issuance of additional units for cash or property.

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In addition, if legislation is enacted or if existing law is modified or interpreted in a manner that causes us to become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, we will reduce the target distribution levels for each quarter by multiplying each distribution level by a fraction, the numerator of which is available cash for that quarter and the denominator of which is the sum of available cash for that quarter plus our general partner s estimate of our aggregate liability for the income taxes payable by reason of that legislation or interpretation. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference will be accounted for in subsequent quarters.

Distributions of Cash Upon Liquidation

If we dissolve in accordance with the partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds to the unitholders and our general partner, in accordance with their respective capital account balances, as adjusted to reflect any taxable gain or loss upon the sale or other disposition of our assets in liquidation.

The allocations of taxable gain upon liquidation are intended, to the extent possible, to allow the holders of common units to receive proceeds equal to their unrecovered initial unit price for the quarter during which liquidation occurs prior to any allocation of gain to the common units. There may not be sufficient taxable gain upon our liquidation to enable the holders of common units to fully recover all of these amounts. Any additional taxable gain will be allocated in a manner intended to allow our general partner to receive proceeds in respect of its incentive distribution rights.

If there are losses upon liquidation, they will first be allocated to the general partner and then to the common units and the general partner interest until the capital accounts of the common units have been reduced to zero. Any remaining loss will be allocated to the general partner interest.

Equity Compensation Plan Information

See the equity compensation plan table set forth in Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

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Item 6. Selected Financial Data

The following tables present selected consolidated financial and operating data of the Company 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, 2011 and 2010 years has been recast to retrospectively reflect adjustments made to our initial assessment of the net values of assets and liabilities acquired in acquisitions.

Table 1: Operating and Net Income (Loss) Data

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except for per unit data)				
Cemetery revenues:					
Merchandise	$ 132,355	$ 110,673	$ 114,025	$ 108,088	$ 94,898
Services	51,827	44,054	46,094	46,995	40,951
Investment and other	55,217	46,959	46,808	42,901	35,897
Funeral home revenues:					
Merchandise	21,060	18,922	15,551	12,810	10,435
Services	27,626	26,033	20,128	17,594	15,111
Total revenues	288,085	246,641	242,606	228,388	197,292
Cost of goods sold (exclusive of depreciation shown separately below):					
Perpetual care	6,867	5,656	5,715	5,727	5,094
Merchandise	26,785	22,203	22,386	20,388	18,435
Cemetery expense	64,672	57,566	55,410	57,145	48,784
Selling expense	55,277	47,832	46,878	45,291	38,245
General and administrative expense	35,110	31,873	28,928	29,544	24,591
Corporate overhead (including unit-based compensation of $1,068 in 2014, $1,370 in 2013, $916 in 2012, $773 in 2011, and $711 in 2010)	32,454	28,875	28,169	23,766	24,379
Depreciation and amortization	11,081	9,548	9,431	8,534	8,845
Funeral home expense					
Merchandise	6,659	5,569	5,200	4,473	4,001
Services	20,470	19,190	14,574	11,717	9,752
Other	12,581	10,895	8,951	7,364	6,184
Acquisition related costs, net of recoveries	2,269	1,051	3,123	4,604	5,715
Total costs and expenses	274,225	240,258	228,765	218,553	194,025
Operating profit	13,860	6,383	13,841	9,835	3,267
Gain on acquisitions	412	2,530	122		7,152
Gain on termination of operating agreement			1,737		
Gain on settlement agreement, net	888	12,261			

Gain on sale of other assets		155			
Gain on sale of funeral home	244			92	
Loss on early extinguishment of debt	214	21,595		4,010	
Loss on impairment of long-lived assets	440				
Increase in fair value of interest rate swap (1)					4,724
Expenses related to refinancing (2)				453	
Interest expense	21,610	21,070	20,503	19,198	21,973
Net loss before income taxes	(6,860)	(21,336)	(4,803)	(13,734)	(6,830)
Income tax expense (benefit)	3,913	(2,304)	(1,790)	(4,019)	(5,383)
Net loss	$ (10,773)	$ (19,032)	$ (3,013)	$ (9,715)	$ (1,447)
Net loss per limited partner unit (basic and diluted)	$ (0.40)	$ (0.89)	$ (0.15)	$ (0.50)	$ (0.10)

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(1) Interest rate swaps were terminated on October 20, 2010.
(2) Represents write-downs in previously capitalized debt issuance costs.

Table 2: Balance Sheet Data

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Cemetery property	$ 339,848	$ 316,469	$ 309,980	$ 298,938	$ 283,460
Total assets (1)	1,699,464	1,474,343	1,343,725	1,248,758	1,145,592
Deferred cemetery revenues, net (2)	643,408	579,993	497,861	441,678	386,465
Total debt	287,629	291,932	254,949	195,322	220,394
Total partners capital	$ 208,762	$ 107,520	$ 135,182	$ 180,279	$ 128,191

(1) Includes the fair value of assets held in the merchandise and perpetual care trusts. Refer to Note 1 of our consolidated financial statements for a detailed discussion of the consolidation rules for these assets.
(2) Represents revenues to be recognized from the sale of merchandise and services. Refer to Note 1 of our consolidated financial statements for a detailed discussion on the revenue recognition rules.

Table 3: Cash Flow and Other Financial Data

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per unit data)				
Net cash provided by (used in):					
Operating activities	$ 19,448	$ 35,077	$ 31,896	$ 5,466	$ 3,106
Investing activities	(123,658)	(26,697)	(39,948)	(29,186)	(49,551)
Financing activities	102,436	(4,151)	3,940	28,243	40,501
Change in assets and liabilities that provided (used) cash:					
Merchandise trust	(28,828)	(36,919)	(11,806)	(23,889)	(13,517)
Merchandise liability	(4,361)	(3,861)	(7,260)	(5,669)	(2,401)
Capital expenditures:					
Maintenance capital expenditures	8,398	6,986	4,874	6,040	7,878
Expansion capital expenditures, including acquisitions	115,557	19,866	35,074	23,268	41,327
Distributions declared per common unit	$ 2.430	$ 2.385	$ 2.350	$ 2.340	$ 2.250

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Table 4: Operating Data

	Year ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Interments performed	50,566	45,470	45,128	45,236	41,556
Cemetery revenues per interment performed	$ 4,734	$ 4,436	$ 4,585	$ 4,377	$ 4,133
Interment rights sold (1)					
Lots	31,774	27,339	26,638	26,403	24,353
Mausoleum crypts (including pre-construction)	2,186	2,108	2,206	2,518	2,584
Niches	1,466	1,096	985	1,126	1,071
Net interment rights sold (1)	35,426	30,543	29,829	30,047	28,008
Number of contracts written	111,519	102,047	98,297	101,281	92,661
Aggregate contract amount, in thousands (excluding interest)	$ 299,026	$ 268,621	$ 251,999	$ 244,921	$ 221,895
Average amount per contract (excluding interest)	$ 2,681	$ 2,632	$ 2,564	$ 2,418	$ 2,395
Number of pre-need contracts written	54,169	51,737	48,131	49,747	45,193
Aggregate pre-need contract amount, in thousands (excluding interest)	$ 196,487	$ 180,326	$ 163,627	$ 157,410	$ 143,022
Average amount per pre-need contract (excluding interest)	$ 3,627	$ 3,485	$ 3,400	$ 3,164	$ 3,165
Number of at-need contracts written	57,350	50,310	50,166	51,534	47,468
Aggregate at-need contract amount, in thousands (excluding interest)	$ 102,539	$ 88,295	$ 88,372	$ 87,511	$ 78,873
Average amount per at-need contract (excluding interest)	$ 1,788	$ 1,755	$ 1,762	$ 1,698	$ 1,662

(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

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and notes thereto included in Part II Item 8 of this Annual Report on Form 10-K. Those notes also give more detailed information regarding the basis of presentation for the following information.

Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K, including, but not limited to, information regarding the status and progress of our operating activities, the plans and objectives of our management, assumptions regarding our future performance and plans, and any financial guidance provided or guidance related to our future distributions, as well as certain information in our other filings with the SEC and elsewhere are forward-looking statements.

Generally, the words believe, may, will, estimate, continue, anticipate, intend (including, but not limited to to maintain or increase our distributions), project, expect, predict and similar expressions identify these forward-looking statements.

These forward-looking statements are made subject to certain risks and uncertainties that could cause actual results to differ materially from those stated or implied. Our major risk is related to uncertainties associated with the 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.

Our additional risks and uncertainties, include, but are not limited to, the following: uncertainties associated with future revenue and revenue growth; uncertainties associated with the integration or anticipated benefits of our recent acquisitions or any future acquisitions; our ability to complete and fund additional acquisitions; the effect of economic downturns; the impact of our significant leverage on our operating plans; the decline in the fair value of certain equity and debt securities held in our trusts; our ability to attract, train and retain an adequate number of sales people; uncertainties associated with the volume and timing of pre-need sales of cemetery services and products; increased use of cremation; changes in the death rate; changes in the political or regulatory environments, including potential changes in tax accounting and trusting policies; our ability to successfully implement a strategic plan relating to achieving operating improvements, strong cash flows and further deleveraging; our ability to successfully compete in the cemetery and funeral home industry; litigation or legal proceedings that could expose us to significant liabilities and damage our reputation; the effects of cyber security attacks due to our significant reliance on information technology; uncertainties relating to the financial condition of third-party insurance companies that fund our pre-need funeral contracts; and various other uncertainties associated with the death care industry and our operations in particular.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements set forth under Risk Factors in Part I, Item 1A and our other reports filed with the SEC. Except as required under applicable law, we assume no obligation to update or revise any forward-looking statements made herein or any other forward-looking statements made by us, whether as a result of new information, future events or otherwise.

Overview

Cemetery Operations

We are currently the second largest owner and operator of cemeteries in the United States. As of December 31, 2014, we operated 303 cemeteries in 27 states and Puerto Rico. We own 272 of these cemeteries and we manage or operate

the remaining 31 under lease, operating or management agreements with the nonprofit cemetery companies that own the cemeteries. As a result of the agreements, other control arrangements and applicable accounting rules, we have treated 16 of these cemeteries as acquisitions for accounting purposes.

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We operate 15 cemeteries under long-term lease, operating or management agreements that do not qualify as acquisitions for accounting purposes. As a result, we did not consolidate all of the existing assets and liabilities related to these cemeteries. We have consolidated the existing assets and liabilities of these cemeteries merchandise and perpetual care trusts as variable interest entities since we control and receive the benefits and absorb any losses from operating these trusts. Under these long-term lease, operating or management agreements, which are subject to certain termination provisions, we are the exclusive operator of these cemeteries. We earn revenues related to sales of merchandise, services, and interment rights and incur expenses related to such sales and the maintenance and upkeep of these cemeteries. Upon termination of these contracts, we will retain all of the benefits and related contractual obligations incurred from sales generated during the contract period. We have also recognized the existing merchandise liabilities assumed as part of these agreements.

We sell cemetery 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. During the year ended December 31, 2014, we performed 50,566 burials and sold 35,426 interment rights (net of cancellations) compared to 45,470 and 30,543 in 2013, and 45,128, and 29,829 in 2012, respectively. Cemetery revenues accounted for approximately 83.1%, 81.8% and 85.3% during the years ended December 31, 2014, 2013 and 2012, respectively.

Our results of operations for our cemetery operations are determined primarily by the volume of sales of products and services and the timing of product delivery and performance of services. We derive our cemetery revenues primarily from:

- at-need sales of cemetery interment rights, merchandise and services, which we recognize as revenue when we have delivered the related merchandise or performed the service;

- pre-need sales of cemetery interment rights, which we generally recognize as revenues when we have collected 10% of the sales price from the customer;

- pre-need sales of cemetery merchandise, which we recognize as revenues when we satisfy the criteria specified below for delivery of the merchandise to the customer;

- pre-need sales of cemetery services which we recognize as revenues when we perform the services for the customer;

- investment income from assets held in our merchandise trust, which we recognize as revenues when we deliver the underlying merchandise or perform the underlying services and recognize the associated sales revenue as discussed above;

- investment income from perpetual care trusts, excluding realized gains and losses on the sale of trust assets, which we recognize as revenues as the income is earned in the trust; and

other items, such as interest income on pre-need installment contracts and sales of land.

The criteria for recognizing revenue related to the sale of cemetery merchandise is that such merchandise is delivered to our customer, which generally means that:

- the merchandise is complete and ready for installation; or
- the merchandise is either installed or stored at an off-site location, at no additional cost to us, and specifically identified with a particular customer; and
- the risks and rewards of ownership have passed to the customer.

We generally satisfy these delivery criteria by purchasing the merchandise and either installing it on our cemetery property or storing it, at the customer s request, in third-party warehouses, at no additional cost to us, until the time of need. With respect to burial vaults, we install the vaults rather than storing them to satisfy the delivery criteria. When merchandise is stored for a customer, we may issue a certificate of ownership to the customer to evidence the transfer to the customer of the risks and rewards of ownership.

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Pre-need Sales

As previously noted, we do not recognize revenue on pre-need sales of merchandise and services until we have delivered the merchandise or performed the services. Accordingly, deferred revenues from pre-need sales and related merchandise trust earnings are reflected as a liability on our consolidated balance sheet in deferred cemetery revenues, net.

Total deferred cemetery revenues, net, also includes deferred revenues from pre-need sales that were entered into by entities we acquired prior to the time we acquired them. This includes both those entities that we acquired at the time of the formation of Cornerstone and other subsequent acquisitions. Our profit margin on pre-need sales entered into by entities we subsequently acquired is generally less than our profit margin on other pre-need sales because, in accordance with industry practice at the time these acquired pre-need sales were made, none of the selling expenses were recognized at the time of sale. As a result, we are required to recognize all of the expenses (including deferred selling expenses) associated with these acquired pre-need sales when we recognize the revenues from that sale.

Pre-need products and services are typically sold on an installment basis. Subject to state law, these contracts are normally subject to cooling-off periods, generally between three and thirty days, during which the customer may elect to cancel the contract and receive a full refund of amounts paid. Also, subject to applicable state law, we are generally permitted to retain the amounts already paid on contracts, including any amounts that were required to be deposited into trust, on contracts cancelled after the cooling-off period. Historical post cooling-off period cancellations total approximately 10% of our pre-need sales (based on contract dollar amounts). If the products and services purchased under a pre-need contract are needed for interment before payment has been made in full, generally the balance due must be immediately paid in full.

Contracts related to pre-need installment sales are usually for a period not to exceed 60 months, with payments of principal and interest required. Pre-need sales contracts normally contain provisions for both principal and interest. For those contracts that do not bear a market rate of interest, we impute such interest based upon the prime rate plus 150 basis points, which resulted in a rate of 4.75% during 2014, 2013 and 2012.

We normally offer prepayment incentives to customers whose pre-need contracts are longer than 36 months and bear interest. If those customers pay their contracts in full in less than 12 months, we rebate the interest that we have collected from them. Even though this rebate policy reduces the amount of interest income we receive on our accounts receivable, the net effect is an increase in our immediate cash flow.

In certain cases, pre-need contracts will be cancelled before they are fully paid. In these circumstances, we are generally permitted to retain amounts already paid to us, including any amounts that were required to be deposited into trust. In certain other cases, the products and services purchased under a pre-need contract are needed for interment before payment has been made in full. In these cases, we are generally entitled to be immediately paid in full for any amounts still outstanding.

At-need Sales

Revenue on at-need merchandise sales is deferred until the time that such merchandise is delivered. The lag between the contract origination and delivery is normally minimal. At-need sales of products and services are generally required to be paid for in full at the time of sale. At that time, we will deposit amounts, as legally required, into our perpetual care trusts. We are not required to deposit any amounts from our at-need sales into merchandise trusts.

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Expenses

We analyze and categorize our operating expenses as follows:

1. Cost of goods sold and selling expenses

Cost of goods sold reflects the actual cost of purchasing products and performing services. Sales of cemetery lots and interment rights, whether at-need or pre-need, typically have a lower cost of goods sold than other merchandise that we sell.

Selling expenses consist of salesperson and sales management payroll costs, including selling commissions, bonuses and employee benefits. We self-insure medical expenses of our employees up to certain individual and aggregate limits over which we have stop-loss insurance coverage. Our self-insurance policy may result in variability in our future operating expenses. Selling expenses also include other costs of obtaining product and service sales, such as advertising, marketing, postage and telephone.

Direct costs associated with pre-need sales of cemetery merchandise and services, such as sales commissions and cost of goods sold, are reflected in the consolidated balance sheet in deferred selling and obtaining costs and deferred cemetery revenues, net, respectively, and are expensed as the merchandise is delivered or the services are performed. Indirect costs, such as marketing and advertising costs, are expensed in the period in which they are incurred.

2. Cemetery Expenses

Cemetery expenses represent the cost to maintain and repair our cemetery properties and consist primarily of labor and equipment, utilities, real estate taxes and other maintenance items. Repairs necessary to maintain our cemeteries are expensed as they are incurred. Other maintenance costs required over the long term to maintain the operating capacity of our cemeteries, such as to build roads and install sprinkler systems, are capitalized.

3. General and administrative expenses

General and administrative expenses, which do not include corporate overhead, primarily include personnel costs, insurance and other costs necessary to maintain our cemetery offices.

4. Depreciation and amortization

We depreciate our property and equipment on a straight-line basis over their estimated useful lives.

5. Acquisition related costs

Acquisition related costs, which include legal fees and other third party costs incurred in acquisition related activities, are expensed as incurred.

Funeral Home Operations

As of December 31, 2014, we owned and operated 98 funeral homes. These properties are located in nineteen states and Puerto Rico. Forty-five of our funeral homes are located on the grounds of cemeteries that we own.

We derive revenues at our funeral homes from the sale of funeral home merchandise, including caskets and related funeral merchandise, and services, including removal and preparation of remains, the use of our facilities for visitation, worship and performance of funeral services and transportation services. We sell these services and merchandise generally at the time of need utilizing salaried licensed funeral directors. Funeral home revenues accounted for approximately 16.9%, 18.2% and 14.7% during the years ended December 31, 2014, 2013 and 2012, respectively.

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

We generally include revenues from pre-need casket sales in the results of our cemetery operations. However, some states require that caskets be sold by funeral homes, and revenues from casket sales in those states are included in our funeral home results.

Our funeral home operating expenses consist primarily of compensation to our funeral directors, day to day costs of managing the business and the cost of caskets.

Corporate

We incur fixed costs for corporate overhead primarily for centralized functions, such as payroll, accounting, collections and professional fees. We also incur expenses related to reporting requirements under U.S. federal securities laws and certain other additional expenses of being a public company.

Revenues by State

The following table shows the percentage of revenues attributable to each of the states in which we operate for the periods presented:

	Year ended December 31,		
	2014	**2013**	**2012**
Alabama	3.5%	3.8%	3.8%
California	8.2%	8.8%	8.0%
Florida	4.9%	4.3%	1.0%
Georgia	1.2%	1.6%	1.3%
Illinois	3.2%	2.7%	2.6%
Indiana	6.1%	6.7%	6.9%
Kansas	1.2%	1.3%	1.3%
Maryland	5.8%	5.7%	5.8%
Michigan	5.0%	6.2%	6.1%
Missouri	1.4%	1.6%	1.5%
New Jersey	5.2%	6.3%	7.1%
North Carolina	5.0%	4.8%	5.8%
Ohio	7.2%	8.1%	9.3%
Oregon	2.7%	2.9%	2.7%
Pennsylvania	16.9%	12.7%	13.2%
Puerto Rico	2.5%	3.1%	3.3%
South Carolina	1.7%	1.8%	1.9%
Tennessee	3.7%	3.6%	3.7%
Virginia	7.4%	6.7%	6.8%
West Virginia	5.1%	5.1%	5.6%
All others	2.1%	2.2%	2.3%

Total	100.0%	100.0%	100.0%

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Principal Products and Services

The following table shows the percentage of revenues attributable to our principal products, services and other items during the periods presented:

	Year ended December 31,		
	2014	2013	2012
Pre-need sales:			
Burial lots	9.8%	8.8%	9.9%
Mausoleum crypts	4.0%	4.7%	5.1%
Markers	4.6%	4.6%	4.8%
Grave marker bases	1.0%	1.0%	1.1%
Burial vaults	4.0%	4.2%	5.1%
Lawn crypts	1.6%	1.3%	1.5%
Caskets	1.2%	1.2%	0.8%
Initial openings and closings (1)	4.8%	5.5%	6.2%
Other (2)	5.5%	5.7%	5.5%
Total pre-need sales	36.5%	37.0%	40.0%
Interest from pre-need sales	2.6%	2.8%	2.8%
Investment income from trusts:			
Perpetual care trusts	4.6%	5.4%	6.1%
Merchandise trusts	4.5%	4.5%	3.8%
Total investment income from trusts	9.1%	9.9%	9.9%
At-need sales:			
Openings and closings (3)	11.7%	10.9%	11.1%
Markers	8.4%	8.2%	7.8%
Burial lots	3.3%	3.2%	3.4%
Mausoleum crypts	1.2%	1.0%	1.3%
Grave marker bases	1.6%	1.6%	1.6%
Foundations and inscriptions (4)	0.9%	0.8%	0.8%
Burial vaults	1.5%	1.6%	1.5%
Other (5)	3.4%	3.3%	3.3%
Total at-need sales	32.0%	30.6%	30.8%
Funeral home revenues	16.9%	18.2%	14.7%
Other revenues (6)	2.9%	1.5%	1.8%
Total revenues	100.0%	100.0%	100.0%

(1) Installation of the burial vault into the ground.
(2) Includes revenues from niches, mausoleum lights, cremations, pet cemeteries, installation of burial vaults and markers sold to our customers by third parties and pre-need sales made in connection with the relocation of other cemetery interment rights. Also includes document processing fees on pre-need contracts and fees from sales of travel care protection, which covers shipping costs of a body if death occurs more than 100 miles from the place of residence.
(3) Installation of the burial vault into the ground and the placement of the casket into the vault.
(4) Installation of the marker on the ground and its inscription.
(5) Includes revenues from lawn crypts, decorative lights installed on mausoleum crypts, installations of burial vaults, markers sold to our customers by third parties, cremation fees and document-processing fees on at-need contracts.
(6) Includes sales of manufactured burial vaults to third parties, sales of cemetery and undeveloped land, commissions from sales of pre-need funeral and death benefit insurance policies provided through a third-party insurer and other miscellaneous revenues.

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Cash Flow

Pre-need sales often generate short-term cash flow deficits due to the timing of when we receive amounts from customers, pay related commissions and deposit amounts into the perpetual care and merchandise trusts.

We generally require customers to make a down payment on a pre-need contract of at least 5% of the total sales price. When we receive a payment from a customer on a pre-need contract, we first deposit the requisite portion into trust as required by state law. Then, we pay all or a portion of the commission due to the salesperson responsible for the sale up to a maximum of total cash received. In many cases, the sum of the commission paid and amount deposited into the trust exceeds the total cash received, causing a short-term cash flow deficit.

If the down payment received from the customer is not sufficient to cover the entire commission, the remaining commission is paid from subsequent installments, but only to the extent of 80% of the cash received from the customer in each installment. Again, in the near-term there is a possibility that the sum of the commission paid and amount deposited into the trust exceeds the total cash received, causing an additional short-term cash flow deficit. These short-term deficits are eventually recaptured as the total amount received exceeds the commissions paid and we meet the requirements for withdrawing amounts deposited into the merchandise trust.

The following example assumes a pre-need contract with a total sales price of $1,000, a 10% down payment, a 40% perpetual care and merchandise trusting requirement, a 15% sales commission and a one-year term without interest, our short-term cash flow would be as follows:

When we receive the $100 down payment from the customer, we would deposit 40% of the payment, or $40, in trust and pay 100% of the commission due to the salesperson, or $150, but only to the extent that we received cash from the customer, or $100. Our total cash obligations would be $140 even though we only received $100 from the customer. We would use $40 of our operating cash to pay the sales commission and, at this time, would be cash flow negative on the contract.

In month one, when we receive the first $75 installment from the customer, we would deposit 40%, or $30, into trust and pay 100% of the balance of the commission due to the sales person, or $50. Our total cash obligations would be $80 even though we only received $75 from the customer. We would use $5 of our operating cash to pay sales commission and would still be cash flow negative on the contract.

In month two, when we receive the next $75 installment from the customer, we would deposit 40%, or $30, into trust, but we would have no further commission due on the sale. The remaining $45 received from the customer would go back into our operating cash, and we would break even on the contract on a cash-flow basis.

In month three, when we receive the next $75 installment from the customer, we would deposit 40%, or $30, into trust and the remaining $45 would go back into our operating cash. In this month, we would become cash flow positive on the contract.

We can accelerate our operating cash flow by purchasing and delivering many of our products in advance of the time of customer need, either by installing them in the customer s burial space (in the case of burial vaults) or storing them

for the customer, and by performing certain services prior to the time of need. For example, within the allowances of state law, we purchase burial vaults, grave markers and caskets, and perform initial openings and closings to install the burial vault in the ground before the time of need. When we satisfy the criteria for delivery of pre-need products or perform pre-need services, we are permitted to withdraw the related principal and any income and capital gains that we have not already withdrawn from the merchandise trust, and we recognize the amounts withdrawn, including amounts previously withdrawn, as revenues. Advance purchasing helps us to avoid the negative cash flow impact of depositing significant portions of our sales proceeds in trusts while earning rates on those trusts that are currently less than interest rates we pay on our debt. To the extent that we can purchase and deliver products and perform services in advance of the time of need, we can accelerate, within the limitations of GAAP, the timing of our revenue recognition for these products and services. As a result, decisions made by our management to purchase and deliver products or perform services in advance, for cash flow or other reasons, affect the timing of revenue recognition from the underlying sales.

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We are somewhat limited, however, in our ability to purchase some products in advance of the time of need because of their availability. Given our large volume of pre-need sales, it is unlikely that our suppliers could provide, or we could manufacture, all of the products included in our pre-need backlog at any given time. For example, we generally need more vaults per year to fulfill our pre-need contract obligations than we currently manufacture at our plants. We must purchase any excess from third party suppliers who must also meet the demands of other cemetery operators.

We currently purchase some of our burial vaults from third-party providers to assist us in meeting the demands of our accelerated purchase and delivery program. We are also limited in our ability to perform certain services in advance of the time of need because of their nature or our resources. For example, we cannot perform the final opening and closing, which is the placing of the casket into the ground, or inscribe the date of death on the monument or marker until the time of need. Even if we chose to perform all of the services in our pre-need backlog that could be performed in advance of need, such as installing all of the burial vaults in our pre-need backlog, we would not currently have the labor, equipment or other resources to perform all of those services in a short period of time.

Trusting

We are required to deposit a portion of amounts received on sales of certain cemetery merchandise and services into a perpetual care and/or merchandise trusts. These amounts 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.

Perpetual Care Trust

Pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. While this amount varies, it is generally 10% to 20% of the sales price of the interment right. All principal must remain in this trust into perpetuity while interest and dividends may be released to us and used to defray cemetery maintenance costs, which are expensed as incurred. Earnings from the perpetual care trusts are recognized in current cemetery revenues. To maximize this income, we have established investment guidelines for the third-party investment managers that manage the trust so that substantially all of the funds are invested in intermediate-term investment-grade fixed-income securities, high-yield fixed-income securities, master limited partnerships and real estate investment trusts.

We fund these amounts pro-rata on an as received basis. As payments are received from the customer, we deposit a pro-rata amount of the payment into a perpetual care trust. For example, if we receive a payment of 20% of the sales price from the customer, we would deposit into the perpetual care trust 20% of the total amount required to be placed into trust for that sale.

We consolidate the assets of the trust in accordance with the provisions of ASC 810, as the trust is considered to be a variable interest entity for which we are the primary beneficiary. Trust assets are reflected at fair market value on the asset portion of our consolidated balance sheet as an asset entitled perpetual care trusts, restricted, at fair value, and an equal amount is reflected as a liability as perpetual care trust corpus.

Merchandise Trust

We are generally required by state law to deposit a portion of the sales price of pre-need cemetery merchandise and services, or the estimated current cost of providing that merchandise and those services, into a merchandise trust to ensure that we will have sufficient funds in the future to purchase the merchandise or perform the services. The amount we are required to deposit into a merchandise trust varies from state to state but is generally 40% to 70% of the sales price of the merchandise or services.

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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.

The trust footnotes (Notes 5 and 6 of our consolidated financial statements included in Part II, Item 8) disclose the adjusted cost basis of the assets in the trusts and contain a more detailed discussion of other-than- temporarily impaired assets.

Current Market Conditions and Economic Developments

We are subject to fluctuations in the fair value of equity and fixed-maturity debt securities in our trusts. These values can be negatively impacted by contractions in the credit market and overall downturns in economic activity.

In general, the financial markets have trended upward over the past few years. As of December 31, 2014, the market value of the assets in our merchandise trusts exceeded their amortized cost by 0.5%, compared to December 31, 2013 when the market value of the assets exceeded their amortized cost by 2.6%. As of December 31, 2014, the market value of the assets in our perpetual care trusts exceeded their amortized cost by 9.7%, compared to December 31, 2013 when the market value of the assets exceeded their amortized cost by 10.5%.

On February 27, 2014 and June 12, 2014, we raised capital via follow-on public offerings of our common units. The proceeds from the offerings were used to pay down borrowings outstanding under our credit facility and to pay the purchase price related to the transaction with Service Corporation International, which closed in the second quarter of 2014. In addition, in May of 2014, we sold common units to ACII, at an aggregate purchase price of $55.0 million; the proceeds were used primarily to fund the up-front rent consideration for the transaction with the Archdiocese of Philadelphia that closed during the second quarter of 2014. As of December 31, 2014, the majority of our long-term debt consisted of $175.0 million in Senior Notes due 2021, the offering of which took place in May of 2013, and $110.9 million of borrowings under our credit facility, which expires in 2019. As of December 31, 2014, we had $69.1 million of total availability under our revolving 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, 2014, we had approximately $85.9 million of working capital draws, which are limited to a borrowing formula of 85% of eligible account receivables. This limit was $128.6 million at December 31, 2014.

The average dollar value of contracts written has not deteriorated and the values for the year ended December 31, 2014 exceed the values from 2013.

We will continue to monitor evolving economic conditions, including changes in inflation rates and plan accordingly.

Change in Market Value of Trust Assets

We have a substantial portfolio of invested assets in both our merchandise and perpetual care trusts. Both trusts have a mix of cash and cash equivalents, fixed maturity debt securities and equity securities. Declines in the fair value of equity securities, and to a lesser degree, fixed maturity debt securities held in our trusts, can be a critical issue for us. The financial markets have generally trended upward over the past few years and ended 2014 near record highs. During 2014 and 2013, we determined that a few select assets in our merchandise trust had been impaired and we took an impairment charge of approximately $0.4 million and $1.0 million, respectively.

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We also determined an impairment in our perpetual care trust assets in 2014, resulting in an impairment charge of approximately $0.6 million. These impairment charges are deferred until such time that we deliver the merchandise or perform the services for which the trust assets are set aside. The impairment charges reduced the cost basis of the assets to their fair value. As of December 31, 2014, the aggregate post write-down fair value of the assets in our merchandise trust exceeded its amortized cost by 0.5% and the aggregate post write-down fair value of the assets in our perpetual care trust exceeded its amortized cost by 9.7%.

Funds in our trusts are managed by third-party investment managers who are in turn monitored by a third-party investment advisor selected by our Trust Committee. The third-party investment advisor provides the committee with frequent updates on the performance of our investments. We will continue to monitor this performance closely. See Item 7A. Quantitative and Qualitative Disclosure About Market Risk for more information.

The perpetual care trust and merchandise trust serve vastly different purposes and the risks and implications of changes in trust asset values are dissimilar.

Perpetual Care Trust

Pursuant to state law, a portion of the proceeds from the sale of cemetery property must be deposited into a perpetual care trust.

The perpetual care trust principal does not belong to us and must remain in the trust into perpetuity. We consolidate the trust into our financial statements in accordance with ASC 810-10-15-(13 through 22) because the trust is considered a variable interest entity for which we are the primary beneficiary.

The fair value of trust assets is recorded as an asset on our consolidated balance sheet and is entirely offset by a liability. This liability is recorded as Perpetual care trust corpus. Changes in fair value of trust assets are recognized by adjusting both the trust asset and the offsetting liability. Impairment of the value of trust assets, whether temporary or other-than-temporary, will not impact periodic earnings nor will it impact our financial position or liquidity at any point in time.

Our primary risks related to the assets in the perpetual care trust relate to the interest and dividends paid and released to us and used to defray cemetery maintenance costs. Any material reduction in this income stream could have a material effect on our financial condition, results of operations and liquidity. Interest income earned on the perpetual care trust assets was approximately $15.0 million, $15.7 million and $16.7 million during the years ended December 31, 2014, 2013 and 2012, respectively.

Merchandise Trust

Pursuant to state law, a portion of the proceeds from the sale of pre-need cemetery and funeral home merchandise and services must be deposited into a merchandise trust.

Unlike the perpetual care trust, the principal in the merchandise trust will ultimately revert to us. This will occur once we have met the various requirements for its release, which is generally the delivery of merchandise or performance of underlying services. Accordingly, changes in the fair value of trust assets, both temporary and other-than-temporary, may ultimately impact our periodic earnings and financial position or liquidity at any point in time.

Managing the cash flow associated with the release of trust assets and investment income is a critical component of our overall corporate strategy. Our investment strategy reflects the fact that the release of trust assets and the resultant

cash flow is critical to our ability to meet our profitability goals and liquidity needs. Accordingly, we set such strategy to balance the potential for return with the need to maintain asset value.

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A decline in the market value of the assets in the merchandise trust could ultimately impair our profitability and resulting financial position and liquidity should we be forced to liquidate such assets at an amount significantly below our original expectation, which is ultimately asset cost.

We mitigate this risk by ensuring that a sufficient portion of trust assets is invested in cash and cash equivalents that do not have significant risk to principal. We can then manage trust assets so that released amounts are liquidated from this pool as opposed to any pool of assets that are currently valued below cost.

Absent a substantial downturn in pre-need sales, we believe that the cash and cash equivalent allocation of the merchandise trust assets is sufficient to mitigate the risk of liquidating impaired assets in the near future.

Impact of Current Market Conditions on Our Ability to Meet Our Debt Covenants

Current market conditions have not negatively impacted our ability to meet our significant debt covenants. These covenants specifically relate to a certain measure of Consolidated EBITDA and certain coverage and leverage ratios as defined in the Credit Agreement described below.

Consolidated EBITDA is primarily related to the current period value of contracts written, investment income from the merchandise and perpetual care trusts, and current expenses incurred. The revenue recognition rules we must follow in accordance with accounting principles generally accepted in the United States of America (GAAP) are not considered.

We have two primary debt covenants that are dependent upon our financial results, the Consolidated Leverage Ratio and the Consolidated Debt Service Coverage Ratio. The Consolidated Leverage Ratio relates to the ratio of Consolidated Funded Indebtedness to Consolidated EBITDA. Our Consolidated Leverage Ratio was 3.02 at December 31, 2014 compared to a maximum allowed ratio of 4.00. The Consolidated Debt Service Coverage Ratio relates to the ratio of Consolidated EBITDA to Consolidated Debt Service. Our Consolidated Debt Service Coverage Ratio was 4.63 at December 31, 2014 compared to a minimum allowed ratio of 2.50.

Net Income (Loss), Operating Cash Flows and Partner Distributions

The table below details net income (loss), operating cash flows and partner distributions made in 2014, 2013 and 2012, respectively:

	Year ended December 31,		
	2014	2013	2012
	(in thousands)		
Net income (loss)	$ (10,773)	$ (19,032)	$ (3,013)
Operating cash flows	19,448	35,077	31,896
Partner distributions	$ 62,836	$ 52,053	$ 47,454

Cash flows from operations for the years ended December 31, 2014, 2013 and 2012 were $19.4 million, $35.1 million and $31.9 million, respectively, which exceeded our net losses of $10.8 million, $19.0 million and $3.0 million, respectively, during the same periods. The differences between our operating cash flows and net losses are in large part attributable to the fact that various cash inflows for payments of amounts due under pre-need sales contracts were not and are not as of yet recognized as revenues as we had not and have not met the delivery criteria for revenue recognition. Although there is no assurance, we expect that the trend of operating cash flows exceeding our net

income or net loss will continue into the foreseeable future.

Consolidation

Our historical operations are part of a consolidated group for financial reporting purposes that include the cemeteries we operate under long-term lease, operating or management agreements. We currently operate 31 cemeteries, 16 of which have been fully consolidated, under these long-term lease, operating or management agreements. Intercompany balances and transactions have been eliminated in consolidation.

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Income Taxes

Our historical financial statements include the effects of applicable U.S. federal and state income taxes in order to comply with GAAP. We are a limited partnership that has elected to be treated as a partnership for U.S. federal income tax purposes and therefore not be subject to U.S. federal or applicable state income taxes. In order to be treated as a partnership for federal income tax purposes, at least 90% of our gross income must be qualifying income, which includes income from the sale of real property, including burial lots (with and without installed vaults), lawn and mausoleum crypts and cremation niches. Most of our activities that do not generate qualifying income, such as the sale of other cemetery products, the provision of perpetual care services, the operation of our managed cemeteries and all funeral home operations, will be owned by and conducted through corporate subsidiaries, which will be subject to tax on their net taxable income. Dividends we receive from corporate subsidiaries will be qualifying income.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our historical consolidated financial statements. We prepared these financial statements in conformity with GAAP. The preparation of these consolidated financial statements required us to make estimates, judgments and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods (see Note 1 to the consolidated financial statements included in this Annual Report on Form 10-K). We based our estimates, judgments and assumptions on historical experience and known facts and other assumptions that we believed to be reasonable under the circumstances. In future periods, we expect to make similar estimates, judgments and assumptions on the same basis as we have historically. Our actual results in future periods may differ from these estimates under different assumptions and conditions. We believe that the following accounting policies or estimates had or will have the greatest potential impact on our consolidated financial statements for the periods discussed and for future periods.

Revenue Recognition

We sell our merchandise and services on both a pre-need and at-need basis. All at-need sales are recognized as revenues and recorded in earnings at the time that merchandise is delivered and services are performed.

Revenues from pre-need sales of cemetery interment rights in constructed burial property are deferred until at least 10% of the sales price has been collected, at which time they are fully earned.

Revenues from pre-need sales of cemetery interment rights in unconstructed burial property, such as mausoleum crypts and lawn crypts, are recognized using the percentage-of-completion method of accounting, with no revenue being recognized until at least 10% of the sales price has been received. The percentage-of-completion method of accounting requires us to make certain estimates as of our reporting dates. These estimates are made based upon information available at the reporting date and are updated on a specific identification method at the end of each reporting period. Periodic earnings are calculated based upon the total sales price, estimated costs to complete and the percentage completed during a given reporting period.

Revenues from pre-need sales of cemetery merchandise and services are deferred until the merchandise is delivered or the services are performed, at which time they are fully earned.

Investment earnings, including realized gains and losses, generated by assets in our merchandise trusts are deferred until the associated merchandise is delivered or the services are performed.

In order to appropriately match revenue and expenses, we defer certain pre-need cemetery and prearranged funeral direct obtaining costs that vary with and are primarily related to acquisitions of new pre-need cemetery and prearranged funeral business until such time that the associated revenue is recognized.

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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, 2014 or 2013.

Merchandise 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.

We evaluate whether or not the assets in our merchandise trusts have an other-than-temporary impairment on a security-by-security basis. This assessment is made based upon a number of criteria including the length of time a security has been in a loss position, changes in market conditions, concerns related to the specific issuer and our ability and intent to hold the security until it regains its value. If a loss is considered to be other-than-temporary, the cost basis of the security is adjusted downward to its market value. Any reduction in the cost basis of the assets held in our merchandise trusts due to an other-than-temporary impairment is offset against deferred revenue. Refer to Note 5 of our consolidated financial statements included in this Annual Report on Form 10-K for a more detailed discussion of other-than-temporarily impaired assets.

Perpetual Care Trust Assets

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.

We evaluate whether or not the assets in our perpetual care trusts have an other-than-temporary impairment on a security-by-security basis. This assessment is made based upon a number of criteria including the length of time a security has been in a loss position, changes in market conditions, concerns related to the specific issuer

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and our ability and intent to hold the security until it recovers its value. If a loss is considered to be other-than-temporary, the cost basis of the security is adjusted downward to its market value. Any reduction in the cost basis of the assets held in our perpetual care trusts due to an other-than-temporary impairment is offset against perpetual care trust corpus. There is no impact on earnings. Refer to Note 6 of our consolidated financial statements included in this Annual Report on Form 10-K for a more detailed discussion of other-than-temporarily impaired assets.

Other-Than-Temporary Impairment of Trust Assets

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.

The trusts footnotes (Notes 5 and 6) disclose the adjusted cost basis of the assets in both the merchandise and perpetual care trusts. This adjusted cost basis includes any adjustments to the original cost basis due to other-than-temporary impairments.

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.

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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, 2014, our taxable corporate subsidiaries had federal net operating loss carryforwards of approximately $223.1 million, which will begin to expire in 2017 and $272.0 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.

Recent Accounting Pronouncements

In the second quarter of 2014, the Financial Accounting Standards Board issued Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which supersedes the revenue recognition requirements in Topic 605 Revenue Recognition and most industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are currently in the process of evaluating the potential impact of this update on our financial position, results of operations, and cash flows.

In the first quarter of 2015, the Financial Accounting Standards Board issued Update No. 2015-02, Consolidation (Topic 810) (ASU 2015-02), which amends previous consolidation analysis guidance. ASU 2015-02 requires companies to consider revised consolidation criteria regarding limited partnerships and similar legal entities. The amendments are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early application is permitted. We are currently in the process of evaluating the impact of this update, which is not expected to have a significant impact on our financial position, results of operations, or cash flows.

Segment Reporting and Related Information

The Company is organized into five distinct reportable segments, which are classified as Cemetery Operations Southeast, Cemetery Operations Northeast, Cemetery Operations West, Funeral Homes, and Corporate.

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

The Cemetery Operations segments sell interment rights, caskets, burial vaults, cremation niches, markers and other cemetery related merchandise. Our cemetery operations are disaggregated into three different geographically based segments. The nature of our customers differs in each of our regionally based cemetery

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operating segments. Cremation rates in the West region are substantially higher than they are in the Southeast region. Rates in the Northeast region tend to be somewhere between the two. Statistics indicate that customers who select cremation services have certain attributes that differ from customers who select other methods of interment. The disaggregation of cemetery operations into the three distinct regional segments is primarily due to these differences in customer attributes along with the previously mentioned management structure and senior management analysis methodologies.

Our Funeral Homes segment offers a range of funeral-related services such as family consultation, the removal of and preparation of remains and the use of funeral home facilities for visitation. These services are distinctly different than the cemetery merchandise and services sold and provided by the Cemetery Operations segments.

Our Corporate segment includes various home office expenses, miscellaneous selling, cemetery and general administrative expenses that are not allocable to other operating segments, certain depreciation and amortization expenses and acquisition related costs.

Results of Operations- Segments

We account for and analyze the results of operations for our segments on a basis of accounting that is different from GAAP. We reconcile these non-GAAP accounting results of operations to GAAP based amounts at the consolidated level. This reconciliation is included in Note 14 to the consolidated financial statements included in this Annual Report on Form 10-K.

The method of accounting we utilize to analyze our overall results of operations, including segment results, provides for a production based view of our business. Under the production based view, we recognize revenues at their contract value at the point in time in which the contract is written, less a historic cancellation reserve. All related costs are expensed in the period the contract is recognized as revenue. In contrast, GAAP requires that we defer all revenues, and the direct costs associated with these revenues, until we meet certain delivery and performance requirements. The nature of our business is such that there is no meaningful relationship between the time that elapses from the date a contract is executed and the date the underlying merchandise is delivered or the service, delivery and performance requirements are met. Further, certain factors affecting this time period, such as weather and supplier issues, are out of our control. As a result, during a period of growth, operating profits as defined by GAAP will tend to lag behind operating profits on a production based view because of the required deferral of revenues. Our performance based view ignores these delays and presents results based upon the underlying value of contracts written. We believe this is the most reliable indicator of our performance for a given period as the value of contracts written less a historical cancellation reserve reflects the economic value added during a given period of time. Accordingly, the ensuing segment discussion is on a basis of accounting that differs from GAAP. See Note 1 to the consolidated financial statements included in this Annual Report on Form 10-K for a more detailed discussion of our accounting policies under GAAP.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Cemetery Segments

Cemetery Operations Southeast

Since June 30, 2013, we have acquired eleven properties in our Cemetery Operations Southeast segment. The first acquisition occurred during the third quarter of 2013, the second occurred during the first quarter of 2014 and the remaining nine occurred during the second quarter of 2014. The results of operations for these acquired properties

have either less or no impact on the results for the year ended December 31, 2013, but are included in the results for the year ended December 31, 2014. The acquisitions contributed approximately $9.9 million of the revenues and $6.3 million of the costs and expenses of the segment for the year ended December 31, 2014, compared to $1.2 million and $0.7 million, respectively, for the year ended December 31, 2013.

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The table below compares the results of operations for our Cemetery Operations Southeast for the year ended December 31, 2014 to the year ended December 31, 2013:

	Year ended December 31,			
	2014	2013	Change ($)	Change (%)
	(in thousands) (non-GAAP)			
Total revenues	$ 138,769	$ 134,046	$ 4,723	3.5%
Total costs and expenses	101,460	95,726	5,734	6.0%
Operating profit	$ 37,309	$ 38,320	$ (1,011)	-2.6%

Revenues

The increase in revenues was attributable to the new properties and was related to an overall increase in the value of contracts written, with an increase of $2.8 million in the value of at-need contracts and $1.5 million in the value of pre-need contracts written. We also had increases of $0.2 million in income from our trusts and an increase of $0.2 million in interest on accounts receivable and other income. Our investment results can vary from period to period based on a number of factors including realized income and the timing of the recognition of gains within the trusts.

Total costs and expenses

The net increase in costs and expenses was mostly attributable to the new properties and primarily related to:

A $1.2 million increase in cost of goods sold attributable to the increase in the value of contracts written and product mix.

A $1.8 million increase in cemetery expenses primarily due to increases of $0.5 million in labor costs, $0.8 million in repair and maintenance costs, $0.3 million in fuel and utility costs and $0.2 million in real estate taxes.

A $1.2 million increase in selling expenses primarily attributable to an increase of $1.1 million in advertising and telemarketing costs.

A $0.9 million increase in general and administrative expenses primarily due to an increase of $0.9 million in personnel costs.

A $0.6 million increase in depreciation.

Cemetery Operations Northeast

During the second quarter of 2014, we acquired three properties and separately obtained the rights from the Archdiocese of Philadelphia to operate thirteen properties in our Cemetery Operations Northeast segment. The results of operations for these properties have no impact on the results for the year ended December 31, 2013, but are included in the results for the year ended December 31, 2014. The additions have contributed approximately $18.2 million of the revenues and $13.2 million of the costs and expenses of the segment.

The table below compares the results of operations for our Cemetery Operations Northeast for the year ended December 31, 2014 to the year ended December 31, 2013:

	Year ended December 31,			
	2014	**2013**	**Change ($)**	**Change (%)**
		(in thousands) (non-GAAP)		
Total revenues	$ 82,216	$ 63,110	$ 19,106	30.3%
Total costs and expenses	54,354	43,283	11,071	25.6%
Operating profit	$ 27,862	$ 19,827	$ 8,035	40.5%

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Revenues

The increase in revenues was mostly attributable to the new properties and was caused by an increase in other income of $4.7 million primarily related to one land sale during the first quarter of 2014 and an overall increase in the value of contracts written, with increases of $6.0 million in the value of pre-need contracts written and $8.5 million in the value of at-need contracts written. These increases were partially offset by a decrease of $0.1 million in income from our trusts. Our investment results can vary from period to period based on a number of factors including realized income and the timing of the recognition of gains within the trusts.

Total costs and expenses

The net increase in costs and expenses was mostly attributable to the new properties and primarily related to:

A $0.9 million increase in cost of goods sold primarily attributable to the corresponding increase in the value of contracts written and product mix.

A $5.9 million increase in cemetery expenses primarily attributable to increases of $4.7 million in labor costs, $0.7 million in repairs and maintenance expense, $0.4 million in utility and fuel costs and $0.1 million in real estate taxes.

A $2.2 million increase in selling expenses primarily due to increases of $1.9 million in commissions and personnel costs and $0.3 million in advertising and marketing costs.

A $1.2 million increase in general and administrative expenses primarily due to increases of $0.7 million in personnel costs and $0.1 million in professional fees, with the remainder due to various general office costs.

A $0.9 million increase in depreciation expense inclusive of $0.6 million of amortization of the intangible assets relating to the lease and management agreements with the Archdiocese of Philadelphia.

Cemetery Operations West

The table below compares the results of operations for our Cemetery Operations West for the year ended December 31, 2014 to the year ended December 31, 2013:

	Year ended December 31,			
	2014	**2013**	**Change ($)**	**Change (%)**
		(in thousands) (non-GAAP)		
Total revenues	$ 80,255	$ 78,636	$ 1,619	2.1%
Total costs and expenses	53,351	48,958	4,393	9.0%

Operating profit	$ 26,904	$ 29,678	$ (2,774)	-9.3%

Revenues

The increase in revenues was related to an overall increase in the value of contracts written, with an increase of $3.3 million in the value of pre-need contracts written and increase of $1.5 million in the value of at-need contracts written. Partially offsetting these increases were decreases of $2.7 million in income from our trusts and $0.5 million in interest and other income. Our investment results can vary from period to period based on a number of factors including realized income and the timing of the recognition of gains within the trusts.

Total costs and expenses

The net increase in costs and expenses was primarily related to:

A $2.4 million increase in cost of goods sold primarily attributable to product mix and the corresponding increase in the value of contracts written.

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A $0.6 million decrease in cemetery expenses primarily due to decreases of $0.6 million in real estate tax expense and $0.1 million in personnel costs, partially offset by an increase of $0.2 million in repair and maintenance expenses.

A $1.4 million increase in selling expenses primarily attributable to increases of $0.9 million in commissions and personnel expenses, $0.3 million in advertising and telemarketing costs and $0.1 million in travel costs.

A $1.2 million increase in general and administrative expenses primarily due to an increase in legal costs, principally related to a legal settlement.

Funeral Homes Segment

In the first quarter of 2013, we acquired six funeral homes. In the second quarter of 2014, we acquired nine funeral homes and in the fourth quarter of 2014, we acquired two funeral homes. Therefore, the results of operations for these properties have either less or no impact on the results for the year ended December 31, 2013, but are included in the results for the year ended December 31, 2014. These additions are primarily responsible for the increases to revenues and costs and expenses for the Funeral Homes segment, contributing approximately $11.0 million of the revenues and $7.5 million of the costs and expenses of the segment for the year ended December 31, 2014, compared to $5.2 million and $3.4 million, respectively, for the year ended December 31, 2013.

The table below compares the results of operations for our Funeral Homes segment for the year ended December 31, 2014 to the year ended December 31, 2013:

	Year ended December 31,			
	2014	2013	Change ($)	Change (%)
	(in thousands) (non-GAAP)			
Total revenues	$ 55,751	$ 50,808	$ 4,943	9.7%
Total costs and expenses	43,896	39,355	4,541	11.5%
Operating profit	$ 11,855	$ 11,453	$ 402	3.5%

Revenues

The increase in revenues was primarily attributable to a $2.8 million increase in pre-need revenues and a $2.5 million increase in at-need revenues, partially offset by a $0.4 million decrease in other revenues.

Total costs and expenses

The increase in costs and expenses was primarily attributable to increases of $1.3 million in personnel expenses, $1.4 million in merchandise costs, $0.4 million in other funeral service related expenses, $1.2 million in facility costs, and $0.2 million in depreciation and amortization expense.

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Corporate Segment

The table below compares expenses incurred by the Corporate segment for the year ended December 31, 2014 to the year ended December 31, 2013:

	Year ended December 31,			
	2014	2013	Change ($)	Change (%)
	(in thousands) (non-GAAP)			
Selling, cemetery and general and administrative expenses	$ 1,538	$ 972	$ 566	58.2%
Depreciation and amortization	977	1,176	(199)	-16.9%
Acquisition related costs, net of recoveries	2,269	1,051	1,218	115.9%
Corporate expenses:				
Corporate personnel expenses	13,960	14,478	(518)	-3.6%
Other corporate expenses	18,494	14,397	4,097	28.5%
Total corporate overhead	32,454	28,875	3,579	12.4%
Total corporate expenses	$ 37,238	$ 32,074	$ 5,164	16.1%

The increase in corporate expenses was primarily attributable to increases of $0.6 million in selling expenses due to increased advertising costs, $1.2 million in acquisition related costs, $0.5 million in information technology costs, $0.2 million in travel costs, $3.0 million in professional fees reported within corporate overhead and a net $0.2 million in other general corporate costs and depreciation. These increases were partially offset by a decrease of $0.5 million in personnel costs.

Due to a legal settlement during the year ended December 31, 2013, acquisition related costs were reduced by $1.3 million. This legal settlement also resulted in recoveries of legal costs of $1.7 million, driving down professional fees expense for the prior period. Acquisition related costs will vary from period to period depending on the amount of acquisition activity that takes place.

Reconciliation of Segment Results of Operations to Consolidated Results of Operations

As discussed in the segment sections of this Management s Discussion and Analysis of Financial Condition and Results of Operations, revenues and their associated costs as reported at the segment level are not deferred.

Periodic consolidated revenues recorded in accordance with GAAP reflect the amount of total merchandise and services that were delivered during the period. Accordingly, period over period changes to revenues can be impacted by:

Changes in the value of contracts written and other revenues generated during a period that are delivered in their period of origin and are recognized as revenue and not deferred as of the end of their period of origination.

Changes in merchandise and services that are delivered during a period that had been originated during a prior period.

The table below analyzes results of operations and the changes therein for the year ended December 31, 2014 compared to the year ended December 31, 2013. The table is structured so that our readers can determine whether changes were based upon changes in the level of merchandise and services and other revenues generated during each period and/or changes in the timing of when merchandise and services were delivered. During 2014, we acquired 13 cemeteries and 11 funeral homes, and separately obtained the rights from the Archdiocese of Philadelphia to operate 13 cemetery properties. During 2013, we acquired 1 cemetery and 6 funeral homes. The results of operations for these properties have either less or no impact on the results for the year ended

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December 31, 2013, but are included in the results for the year ended December 31, 2014. These additions are contributing a significant portion of the increases to revenues and costs and expenses in the table below.

	Year ended December 31, 2014 (in thousands)			Year ended December 31, 2013 (in thousands)				
	Segment Results (non-GAAP)	GAAP Adjustments	GAAP Results	Segment Results (non-GAAP)	GAAP Adjustments	GAAP Results	Change in GAAP results ($)	Change in GAAP results (%)
Revenues								
Pre-need cemetery revenues	$ 145,607	$ (40,471)	$ 105,136	$ 134,857	$ (43,714)	$ 91,143	$ 13,993	15.4%
At-need cemetery revenues	92,724	(559)	92,165	80,000	(4,568)	75,432	16,733	22.2%
Investment income from trusts	47,912	(21,742)	26,170	50,564	(26,158)	24,406	1,764	7.2%
Interest income	7,628		7,628	6,926		6,926	702	10.1%
Funeral home revenues	55,751	(7,065)	48,686	50,808	(5,853)	44,955	3,731	8.3%
Other cemetery revenues	7,369	931	8,300	3,445	334	3,779	4,521	119.6%
Total revenues	356,991	(68,906)	288,085	326,600	(79,959)	246,641	41,444	16.8%
Costs and expenses								
Cost of goods sold	39,842	(6,190)	33,652	35,382	(7,523)	27,859	5,793	20.8%
Cemetery expense	64,672		64,672	57,566		57,566	7,106	12.3%
Selling expense	64,175	(8,898)	55,277	58,782	(10,950)	47,832	7,445	15.6%
General and administrative expense	35,110		35,110	31,873		31,873	3,237	10.2%
Corporate overhead	32,454		32,454	28,875		28,875	3,579	12.4%
Depreciation and amortization	11,081		11,081	9,548		9,548	1,533	16.1%
Funeral home expense	40,696	(986)	39,710	36,319	(665)	35,654	4,056	11.4%
Acquisition related costs, net of recoveries	2,269		2,269	1,051		1,051	1,218	115.9%
Total costs and expenses	290,299	(16,074)	274,225	259,396	(19,138)	240,258	33,967	14.1%

Operating profit	$ 66,692	$ (52,832)	$ 13,860	$ 67,204	$ (60,821)	$ 6,383	$ 7,477	117.1%

Revenues

Pre-need cemetery revenues were $105.1 million for the year ended December 31, 2014, an increase of $14.0 million, or 15.4%, as compared to $91.1 million during 2013. The increase was caused by an increase of $10.8 million in the value of pre-need cemetery contracts written and a decrease of $3.2 million in deferred revenue.

At-need cemetery revenues were $92.2 million for the year ended December 31, 2014, an increase of $16.8 million, or 22.2%, as compared to $75.4 million during 2013. The increase was caused by an increase of $12.8 million in the value of at-need cemetery contracts written and a decrease of $4.0 million in deferred revenue.

Investment income from trusts was $26.2 million for the year ended December 31, 2014, an increase of $1.8 million, or 7.2%, as compared to $24.4 million during 2013. We had an adjustment of $4.4 million related to funds for which we have met the requirements that would allow us to recognize them as revenue, which was partially offset by a decrease of $2.6 million in income on a segment basis. Our investment results can vary from period to period based on a number of factors including realized income and the timing of the recognition of gains within the trusts.

Interest income on accounts receivable was $7.6 million for the year ended December 31, 2014, an increase of $0.7 million, or 10.1%, as compared to $6.9 million during 2013, primarily due to an increase in accounts receivable during the period.

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Funeral home revenues were $48.7 million for the year ended December 31, 2014, an increase of $3.7 million, or 8.3%, compared to $45.0 million during 2013. The increase was primarily attributable to the acquisition of 11 funeral homes during 2014.

Other cemetery revenues include miscellaneous items that are not grouped with our cemetery merchandise and services. Other cemetery revenues were $8.3 million for the year ended December 31, 2014, an increase of $4.5 million, or 119.6%, as compared to $3.8 million during 2013. The increase was primarily caused by one land sale during the first quarter of 2014.

Costs and Expenses

Cost of goods sold were $33.7 million for the year ended December 31, 2014, an increase of $5.8 million, or 20.8%, as compared to $27.9 million in 2013. The ratio of cost of goods sold to pre-need and at-need cemetery revenues was 17.1% for the year ended December 31, 2014 as compared to 16.7% during 2013. The change in the ratio primarily relates to changes in product mix.

Cemetery expenses were $64.7 million during the year ended December 31, 2014, an increase of $7.1 million, or 12.3%, compared to $57.6 million during 2013. Within this category, there were increases of $1.7 million in repairs and maintenance expense, $5.0 million in personnel costs and $0.7 million in utility and fuel costs, partially offset by a decrease of $0.3 million in real estate tax expense. Cemetery expenses relate to the current costs of managing and maintaining our cemetery properties. These costs are expensed as incurred and are not deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring cemetery expenses is as a ratio of segment level pre-need and at-need cemetery revenues. Changes in this ratio give an indication of our ability to manage and control our operating costs relative to our overall cemetery operations. An increase in the ratio indicates that expense increases related to the operation and maintenance of our cemetery properties exceeded increases in the value of contracts written, while a decrease in the ratio indicates that expense growth did not exceed increases in the value of contracts written. In the short-term, this ratio can be positively or negatively impacted by our acquisitions, including such factors as how long it takes us to fully implement our pre-need sales programs and whether there are any unanticipated costs. Over the long-term, we would expect this ratio to slightly decline as many of the expenses in this category are fixed in nature. The ratio of cemetery expenses to segment level pre-need and at-need cemetery revenues was 27.1% during the year ended December 31, 2014 as compared to 26.8% during 2013.

Selling expenses were $55.3 million during the year ended December 31, 2014, an increase of $7.5 million, or 15.6%, as compared to $47.8 million in 2013. The expense increase is comprised of segment-based increases of $2.8 million in commissions and personnel expenses, $2.3 million in advertising and telemarketing costs and $0.2 million in travel expenses and a net $0.1 million in general selling costs and a decrease in deferred selling expenses of $2.1 million. The ratio of selling expenses to cemetery revenues was 28.0% for the year ended December 31, 2014 as compared to 28.7% during 2013. This ratio gives some indication of how effectively the money we invest in selling efforts is translating into sales. However, the majority of our selling expenses are directly related to sales commissions and bonuses, which would be directly related to changes in the value of pre-need and at-need contracts written. As a result, we would expect this ratio to remain consistent.

General and administrative expenses were $35.1 million during the year ended December 31, 2014, an increase of $3.2 million, or 10.2%, as compared to $31.9 million during 2013. The increase was mostly due to increases of $1.7 million in personnel costs and $1.5 million in legal costs, primarily related to a legal settlement. General and administrative expenses are expensed as incurred and are not deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring general and administrative expenses is as a ratio of segment level pre-need and at-need cemetery revenues. Changes in this ratio give an indication of our ability to manage and control our general

and administrative costs relative to our overall cemetery operations. An increase in the ratio indicates that general and administrative percentage expense increases related to our cemetery properties exceeded percent increases in the value of contracts written, while a decrease in the ratio

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indicates that expense growth on a percentage basis did not exceed percentage increases in the value of contracts written. In the short-term, this ratio can be positively or negatively impacted by our acquisitions, including such factors as how long it takes us to fully implement our pre-need sales programs and whether there are any unanticipated costs. Over the long-term, we would expect this ratio to decrease slightly as many of the expenses in this category are fixed in nature. The ratio of general and administrative expenses to segment level pre-need and at-need cemetery revenues was 14.7% during the year ended December 31, 2014 as compared to 14.8% during 2013.

Total corporate overhead was $32.5 million during the year ended December 31, 2014, an increase of $3.6 million, or 12.4%, compared to $28.9 million during 2013. The increase in corporate overhead was primarily attributable to $0.5 million in information technology costs, $0.2 million in travel costs and $3.0 million in professional fees. These increases were partially offset by a decrease of $0.5 million in personnel costs, with the remaining increase in general corporate costs. Due to a legal settlement during the year ended December 31, 2013, we had recoveries of legal costs of $1.7 million, driving down professional fees expense for the prior period.

Depreciation and amortization was $11.1 million during the year ended December 31, 2014, an increase of $1.6 million, or 16.1%, as compared to $9.5 million during the same period last year. The increase was primarily due to additional depreciation and amortization from assets acquired in our recent acquisitions and the lease and management agreements with the Archdiocese of Philadelphia.

Funeral home expenses were $39.7 million for the year ended December 31, 2014, an increase of $4.0 million, or 11.4%, compared to $35.7 million during 2013. The increase was primarily driven by our 2014 acquisitions and was attributable to segment increases of $1.3 million in personnel expenses, $1.4 million in merchandise costs, $0.4 million in other funeral service related expenses and $1.2 million in facility costs. These increases were offset by an increase of $0.3 million in deferred funeral home expenses.

Acquisition related costs were $2.3 million for the year ended December 31, 2014, an increase of $1.2 million, or 115.9%, as compared to $1.1 million during 2013. These costs will vary from period to period depending on the amount of acquisition activity that takes place. Acquisition costs for the year ended December 31, 2013, were reduced by $1.3 million due to a legal settlement.

Non-segment Allocated Results

Certain statement of operations amounts are not allocated to segment operations. These amounts are those line items that can be found on our consolidated statement of operations below operating profit and above net loss.

The table below summarizes these items and the changes between the years ended December 31, 2014 and 2013:

	Year ended December 31,			
	2014	2013	Change ($)	Change (%)
	(in thousands)			
Gain on acquisitions	$ 412	$ 2,530	$ (2,118)	-83.7%
Gain on settlement agreement, net	888	12,261	(11,373)	-92.8%
Gain on sale of other assets		155	(155)	-100.0%
Gain on sale of funeral home	244		244	100.0%
Loss on early extinguishment of debt	214	21,595	(21,381)	-99.0%
Loss on impairment of long-lived assets	440		440	100.0%

Interest expense	21,610	21,070	540	2.6%
Income tax expense (benefit)	$ 3,913	$ (2,304)	$ 6,217	-269.8%

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The gain on acquisition recorded during the year ended December 31, 2014 relates to our first quarter 2014 acquisition. The gain on acquisition recorded during the year ended December 31, 2013 relates to our third quarter 2013 acquisition.

During the year ended December 31, 2014, we recovered an additional $1.5 million related to the settlement of claims from locations acquired in 2010. A gain of $0.9 million has been recorded as gain on settlement agreement on the consolidated statement of operations, which was net of legal fees of $0.6 million. During the year ended December 31, 2013, certain proceeds received from a legal settlement were recorded as a gain on settlement agreement on the consolidated statement of operations, resulting in a total gain on settlement of $12.3 million.

The gain on sale of funeral home recorded during the year ended December 31, 2014 pertains to the sale of one funeral home in California during September 2014.

The extinguishment of debt charge during the year ended December 31, 2014 of $0.2 million relates to the write-off of unamortized fees due to a change in the lender syndicate of our revolving credit facility. This change occurred concurrently with our entrance into the Fourth Amended and Restated Credit Agreement during the fourth quarter of 2014. The early extinguishment of debt charge during the year ended December 31, 2013 of $21.6 million relates to the tender premium of $14.9 million we paid in connection with the early repayment of $150.0 million of our 10.25% Senior Notes due 2017 and the write-off of $6.7 million of unamortized fees and discounts related to those notes.

The loss on impairment of long-lived assets recorded during the year ended December 31, 2014 pertains to one of our funeral home buildings in Florida.

Interest expense was relatively consistent period over period. There was an increase in discount accretion expense primarily relating 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. Average amounts outstanding under the credit facility were relatively consistent at $95.5 million and $101.3 million during the years ended December 31, 2014 and 2013, respectively.

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 is 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.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Cemetery Segments

Cemetery Operations Southeast

In 2012 and 2013 we acquired five properties in our Cemetery Operations Southeast segment. Of these acquisitions, four occurred during the third quarter of 2012 and one occurred during the third quarter of 2013. Therefore, the results of operations for these properties have either a lesser or no impact on the results for the year ended December 31, 2012, but are included in the results for the year ended December 31, 2013. These additions are responsible for approximately two-thirds of the increase to revenues and approximately one half of the increase to costs and expenses

for this segment.

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The table below compares the results of operations for our Cemetery Operations Southeast for the year ended December 31, 2013 to the year ended December 31, 2012:

	Year ended December 31,			
	2013	2012	Change ($)	Change (%)
	(in thousands) (non-GAAP)			
Total revenues	$ 134,046	$ 129,212	$ 4,834	3.7%
Total costs and expenses	95,726	91,239	4,487	4.9%
Operating profit	$ 38,320	$ 37,973	$ 347	0.9%

Revenues

The increase in revenues was related to an overall increase in the value of contracts written, with an increase of $1.6 million in the value of at-need contracts and $0.2 million in the value of pre-need contracts. We also had increases of $3.4 million in income from our trusts, partially offset by a decrease of $0.4 million in interest on accounts receivable and other income. Our investment results can vary from period to period based on a number of factors including realized income and the timing of the recognition of gains within the trusts.

Total costs and expenses

The increase in costs and expenses was primarily related to:

A $0.1 million increase in cost of goods sold primarily attributable to the increase in the value of contracts written and product mix.

A $1.0 million increase in cemetery expenses primarily due to increases of $0.6 million in labor costs and $0.4 million in repair and maintenance costs.

A $1.7 million increase in selling expenses primarily attributable to increases of $0.9 million in commissions and personnel expenses, $0.5 million in advertising and telemarketing costs, $0.2 million in travel costs, and $0.1 million in supplies and printing expenses.

A $1.5 million increase in general and administrative expenses primarily due to increases of $0.3 million in personnel costs, $0.3 million in insurance costs, $0.2 million in professional fees, $0.1 million in travel costs, $0.1 million in repair and maintenance expense, and $0.1 million in rent expense, with the remaining increase due to general office costs.

A $0.2 million increase in depreciation primarily due to the acquired properties.

Cemetery Operations Northeast

The table below compares the results of operations for our Cemetery Operations Northeast for the year ended December 31, 2013 to the year ended December 31, 2012:

	Year ended December 31,			
	2013	2012	Change ($)	Change (%)
	(in thousands) (non-GAAP)			
Total revenues	$ 63,110	$ 60,357	$ 2,753	4.6%
Total costs and expenses	43,283	40,620	2,663	6.6%
Operating profit	$ 19,827	$ 19,737	$ 90	0.5%

Revenues

The increase in revenues was related to an overall increase in the value of contracts written, with an increase of $2.5 million in the value of pre-need contracts, partially offset by a decrease of $0.6 million in the value of at-need contracts. In addition, we had an increase of $1.6 million in income from our trusts, partially offset by a

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decrease of $0.7 million in other income. Our investment results can vary from period to period based on a number of factors including realized income and the timing of the recognition of gains within the trusts.

Total costs and expenses

The increase in costs and expenses was primarily related to:

A $0.5 million increase in cost of goods sold primarily attributable to the corresponding increase in the value of contracts written and product mix.

A $0.9 million increase in cemetery expenses primarily due to increases of $0.4 million in labor costs, $0.2 million in repair and maintenance expense, $0.2 million in utility costs and $0.1 million in automobile and equipment expenses.

A $0.9 million increase in selling expenses primarily attributable to increases of $0.5 million in commissions and personnel expenses, $0.3 million in advertising and telemarketing costs and $0.1 million in travel costs.

A $0.4 million increase in general and administrative expenses primarily due to increases of $0.2 million in personnel costs and $0.2 million in insurance costs.

Cemetery Operations West

Effective March 31, 2012, we terminated our operating agreement with the Archdiocese of Detroit. Therefore, the results of operations for these properties are only included in the year ended December 31, 2012 up to that point, and have no impact on the results for the year ended December 31, 2013. The removal of these properties from our results of operations resulted in a $1.8 million decrease in revenues and $1.6 million decrease in costs and expenses period over period. In the second quarter of 2012 we made one acquisition in our Cemetery Operations West segment. This acquisition did not have a significant impact on the comparison of the segment s results of operations below.

The table below compares the results of operations for our Cemetery Operations West for the year ended December 31, 2013 to the year ended December 31, 2012:

	Year ended December 31,			
	2013	2012	Change ($)	Change (%)
	(in thousands) (non-GAAP)			
Total revenues	$ 78,636	$ 68,766	$ 9,870	14.4%
Total costs and expenses	48,958	45,437	3,521	7.7%
Operating profit	$ 29,678	$ 23,329	$ 6,349	27.2%

Revenues

The increase in revenues was related to an overall increase in the value of contracts written, with an increase of $3.7 million in the value of pre-need contracts, partially offset by a decrease of $0.4 million in the value of at-need contracts. In addition, we had an increase of $7.0 million in income from our trusts, partially offset by a decrease of $0.4 million in interest and other income. Our investment results can vary from period to period based on a number of factors including realized income and the timing of the recognition of gains within the trusts.

Total costs and expenses

The increase in costs and expenses was primarily related to:

A $1.1 million increase in cost of goods sold primarily attributable to the corresponding increase in the value of contracts written and product mix.

A $0.2 million increase in cemetery expenses primarily due to increases of $0.3 million in repair and maintenance expense and $0.2 million in real estate taxes, partially offset by a decrease of $0.3 million in personnel costs.

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A $1.4 million increase in selling expenses primarily attributable to increases of $1.0 million in commissions and personnel expenses, $0.3 million in advertising and telemarketing costs and $0.2 million in travel costs, partially offset by a net $0.1 million decrease in miscellaneous selling costs.

A $1.0 million increase in general and administrative expenses comprised of increases of $0.2 million in personnel costs, $0.2 million in legal costs, $0.1 million in insurance costs, $0.1 million in professional fees, and $0.1 million in travel costs, with the remaining increase due to general office costs.

A $0.2 million decrease in depreciation.

Funeral Homes Segment

In 2012 and 2013 we acquired twenty three funeral homes. Of these acquisitions, two occurred during the second quarter of 2012, fourteen occurred during the third quarter of 2012, one occurred during the fourth quarter of 2012 and six occurred during the first quarter of 2013. Therefore, the results of operations for these properties have either a lesser or no impact on the results for the year ended December 31, 2012, but are included in the results for the year ended December 31, 2013. These additions are primarily responsible for the increases to revenues and costs and expenses for the Funeral Homes segment.

The table below compares the results of operations for our Funeral Homes segment for the year ended December 31, 2013 to the year ended December 31, 2012:

	Year ended December 31,			
	2013	2012	Change ($)	Change (%)
		(in thousands) (non-GAAP)		
Total revenues	$ 50,808	$ 37,988	$ 12,820	33.7%
Total costs and expenses	39,355	31,486	7,869	25.0%
Operating profit	$ 11,453	$ 6,502	$ 4,951	76.1%

Revenues

The increase in revenues was primarily attributable to a $7.3 million increase in pre-need revenues, a $3.3 million increase in at-need revenues and a $2.2 million increase in other revenues.

Total costs and expenses

The increase in costs and expenses was primarily attributable to increases of $4.3 million in personnel expenses, $0.6 million in merchandise costs, $0.4 million in other service and supplies expenses, $0.7 million in advertising costs, $0.7 million in facility costs, and $0.5 million in depreciation and amortization expense, with the remainder attributable to increases in other general expense categories.

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Corporate Segment

The table below compares expenses incurred by the Corporate segment for the year ended December 31, 2013 to the year ended December 31, 2012:

	Year ended December 31,			
	2013	2012	Change ($)	Change (%)
	(in thousands) (non-GAAP)			
Selling, cemetery and general and administrative expenses	$ 972	$ 870	$ 102	11.7%
Depreciation and amortization	1,176	1,542	(366)	-23.7%
Acquisition related costs, net of recoveries	1,051	3,123	(2,072)	-66.3%
Corporate expenses:				
Corporate personnel expenses	14,478	12,309	2,169	17.6%
Other corporate expenses	14,397	15,860	(1,463)	-9.2%
Total corporate overhead	28,875	28,169	706	2.5%
Total corporate expenses	$ 32,074	$ 33,704	$ (1,630)	-4.8%

Selling, cemetery and general and administrative expenses allocated to the Corporate segment remained relatively consistent period over period.

The decrease in depreciation and amortization was due to a decrease in the amortization of deferred financing fees.

Acquisition related costs include legal fees and other third party costs incurred in acquisition related activities. These costs will vary from period to period depending on the amount of acquisition activity that takes place. There was a decrease in the expense related to a recovery of legal fees in the first and second quarters of 2013 resulting from a legal settlement.

The increase in total corporate overhead was attributable to increases of $2.2 million in personnel expenses and $0.4 million in unit-based compensation expense. These increases were partially offset by a $1.0 million decrease in professional fees, primarily related to a recovery of legal fees from a legal settlement during the second quarter of 2013, and a $0.9 million decrease in advertising and public relations costs.

Reconciliation of Segment Results of Operations to Consolidated Results of Operations

As discussed in the segment sections of this Management s Discussion and Analysis of Financial Condition and Results of Operations, revenues and their associated costs as reported at the segment level are not deferred.

Periodic consolidated revenues recorded in accordance with GAAP reflect the amount of total merchandise and services that were delivered during the period. Accordingly, period over period changes to revenues can be impacted by:

Changes in the value of contracts written and other revenues generated during a period that are delivered in their period of origin and are recognized as revenue and not deferred as of the end of their period of origination.

Changes in merchandise and services that are delivered during a period that had been originated during a prior period.

The table below analyzes results of operations and the changes therein for the year ended December 31, 2013 compared to the year ended December 31, 2012. The table is structured so that our readers can determine whether changes were based upon changes in the level of merchandise and services and other revenues generated during each period and/or changes in the timing of when merchandise and services were delivered. During 2013

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we acquired 1 cemetery and 6 funeral homes. During 2012 we acquired 5 cemeteries and 17 funeral homes. The results of operations for these properties have either a lesser or no impact on the results for the year ended December 31, 2012, but are included in the results for the year ended December 31, 2013. These additions are contributing a significant portion of the increases to revenues and costs and expenses in the table below. Effective March 31, 2012, we terminated our operating agreement with the Archdiocese of Detroit; consequently, the results of operations for these properties are included in 2012 up to that point, and are not included in 2013.

	Year ended December 31, 2013 (in thousands)			Year ended December 31, 2012 (in thousands)				
	Segment Results (non-GAAP)	GAAP Adjustments	GAAP Results	Segment Results (non-GAAP)	GAAP Adjustments	GAAP Results	Change in GAAP results ($)	Change in GAAP results (%)
Revenues								
Pre-need cemetery revenues	$ 134,857	$ (43,714)	$ 91,143	$ 128,437	$ (31,437)	$ 97,000	$ (5,857)	-6.0%
At-need cemetery revenues	80,000	(4,568)	75,432	79,346	(4,552)	74,794	638	0.9%
Investment income from trusts	50,564	(26,158)	24,406	38,571	(14,446)	24,125	281	1.2%
Interest income	6,926		6,926	6,698		6,698	228	3.4%
Funeral home revenues	50,808	(5,853)	44,955	37,988	(2,309)	35,679	9,276	26.0%
Other cemetery revenues	3,445	334	3,779	5,283	(973)	4,310	(531)	-12.3%
Total revenues	326,600	(79,959)	246,641	296,323	(53,717)	242,606	4,035	1.7%
Costs and expenses								
Cost of goods sold	35,382	(7,523)	27,859	33,807	(5,706)	28,101	(242)	-0.9%
Cemetery expense	57,566		57,566	55,410		55,410	2,156	3.9%
Selling expense	58,782	(10,950)	47,832	54,641	(7,763)	46,878	954	2.0%
General and administrative expense	31,873		31,873	28,928		28,928	2,945	10.2%
Corporate overhead	28,875		28,875	28,169		28,169	706	2.5%
Depreciation and amortization	9,548		9,548	9,431		9,431	117	1.2%
Funeral home expense	36,319	(665)	35,654	28,977	(252)	28,725	6,929	24.1%
Acquisition related costs, net of recoveries	1,051		1,051	3,123		3,123	(2,072)	-66.3%

Total costs and expenses	259,396	(19,138)	240,258	242,486	(13,721)	228,765	11,493	5.0%
Operating profit	$ 67,204	$ (60,821)	$ 6,383	$ 53,837	$ (39,996)	$ 13,841	$ (7,458)	-53.9%

Revenues

Pre-need cemetery revenues were $91.1 million for the year ended December 31, 2013, a decrease of $5.9 million, or 6.0%, as compared to $97.0 million during 2012. An increase of $6.4 million in the value of pre-need cemetery contracts written was offset by an increase of $12.3 million in deferred revenue.

At-need cemetery revenues were $75.4 million for the year ended December 31, 2013, an increase of $0.6 million, or 0.9%, as compared to $74.8 million during 2012. The increase was caused by an increase in the value of at-need cemetery contracts written.

Investment income from trusts was $24.4 million for the year ended December 31, 2013, an increase of $0.3 million, or 1.2%, as compared to $24.1 million during 2012. On a segment basis, we had an increase of $12.0 million, which was offset by an adjustment of $11.7 million related to funds for which we have not met the requirements that would allow us to recognize them as revenue. Our investment results can vary from period to period based on a number of factors including realized income and the timing of the recognition of gains within the trusts.

Interest income on accounts receivable was $6.9 million for the year ended December 31, 2013, an increase of $0.2 million, or 3.4%, as compared to $6.7 million during 2012.

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Funeral home revenues were $45.0 million for the year ended December 31, 2013, an increase of $9.3 million, or 26.0%, compared to $35.7 million during 2012. The increase was primarily attributable to the acquisitions of 23 funeral homes made during 2012 and 2013.

Other cemetery revenues include miscellaneous items that are not grouped with our cemetery merchandise and services. Other cemetery revenues were $3.8 million for the year ended December 31, 2013, a decrease of $0.5 million, or 12.3%, as compared to $4.3 million during 2012. The decrease was primarily related to non-recurring other income from the sale of assets that occurred in 2012.

Costs and Expenses

Cost of goods sold were $27.9 million for the year ended December 31, 2013, a decrease of $0.2 million, or 0.9%, as compared to $28.1 million in 2012. The ratio of cost of goods sold to pre-need and at-need cemetery revenues was 16.7% for the year ended December 31, 2013 as compared to 16.4% during 2012. The change in the ratio primarily relates to changes in product mix.

Cemetery expenses were $57.6 million during the year ended December 31, 2013, an increase of $2.2 million, or 3.9%, compared to $55.4 million during 2012. This increase was comprised of increases of $0.7 million in labor costs, $0.4 million in utility and fuel costs, $0.3 million in travel costs and $0.9 million in repair and maintenance expenses, which were partially offset by a net decrease of $0.1 million in cemetery overhead and other costs. Cemetery expenses relate to the current costs of managing and maintaining our cemetery properties. These costs are expensed as incurred and are not deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring cemetery expenses is as a ratio of segment level pre-need and at-need cemetery revenues. Changes in this ratio give an indication of our ability to manage and control our operating costs relative to our overall cemetery operations. An increase in the ratio indicates that expense increases related to the operation and maintenance of our cemetery properties exceeded increases in the value of contracts written, while a decrease in the ratio indicates that expense growth did not exceed increases in the value of contracts written. In the short-term, this ratio can be positively or negatively impacted by our acquisitions, including such factors as how long it takes us to fully implement our pre-need sales programs and whether there are any unanticipated costs. Over the long-term, we would expect this ratio to slightly decline as many of the expenses in this category are fixed in nature. The ratio of cemetery expenses to segment level pre-need and at-need cemetery revenues was 26.8% during the year ended December 31, 2013 as compared to 26.7% during 2012.

Selling expenses were $47.8 million during the year ended December 31, 2013, an increase of $0.9 million, or 2.0%, as compared to $46.9 million in 2012. The expense increase is comprised of segment-based increases of $2.3 million in commissions and personnel expenses, $1.1 million in advertising and telemarketing costs and $0.5 million in travel expenses and a net $0.2 million in general selling costs, which were offset by an increase in deferred selling expenses of $3.2 million. The ratio of selling expenses to cemetery revenues was 28.7% for the year ended December 31, 2013 as compared to 27.3% during 2012. This ratio gives some indication of how effectively the money we invest in selling efforts is translating into sales. However, the majority of our selling expenses are directly related to sales commissions and bonuses, which would be directly related to changes in the value of pre-need and at-need contracts written. As a result, we would expect this ratio to remain fairly consistent.

General and administrative expenses were $31.9 million during the year ended December 31, 2013, an increase of $3.0 million, or 10.2%, as compared to $28.9 million during 2012. This increase was due to increases of $0.7 million in personnel costs, $0.6 million in insurance costs, $0.3 million in professional fees, $0.2 million in travel costs and $0.1 million increases each in supplies, office rent, and repairs and maintenance. The remaining increase was due to general office and miscellaneous costs. General and administrative expenses are expensed as incurred and are not

deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring general and administrative expenses is as a ratio of segment level pre-need and at-need cemetery revenues. Changes in this ratio give an indication of our ability to manage and control our general and

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administrative costs relative to our overall cemetery operations. An increase in the ratio indicates that general and administrative percentage expense increases related to our cemetery properties exceeded percent increases in the value of contracts written, while a decrease in the ratio indicates that expense growth on a percentage basis did not exceed percentage increases in the value of contracts written. In the short-term, this ratio can be positively or negatively impacted by our acquisitions, including such factors as how long it takes us to fully implement our pre-need sales programs and whether there are any unanticipated costs. Over the long-term, we would expect this ratio to slightly decrease as many of the expenses in this category are fixed in nature. The ratio of general and administrative expenses to segment level pre-need and at-need cemetery revenues was 14.8% during the year ended December 31, 2013 as compared to 13.9% during 2012.

Total corporate overhead was $28.9 million during the year ended December 31, 2013, an increase of $0.7 million, or 2.5%, compared to $28.2 million during 2012. The increase in total corporate overhead was attributable to increases of $2.2 million in personnel expenses and $0.4 million in unit-based compensation expense. These increases were partially offset by a $1.0 million decrease in professional fees, primarily related to a recovery of legal fees from a legal settlement during the second quarter of 2013, and a $0.9 million decrease in advertising and public relations costs.

Depreciation and amortization was $9.5 million during the year ended December 31, 2013, an increase of $0.1 million, or 1.2%, as compared to $9.4 million during the same period last year. The increase was primarily due to additional depreciation and amortization from our recent acquisitions offset by runoff of existing assets, including deferred financing fees.

Funeral home expenses were $35.7 million for the year ended December 31, 2013, an increase of $7.0 million, or 24.1%, compared to $28.7 million during 2012. The increase was primarily driven by our acquisitions and was attributable to segment increases of $4.3 million in personnel expenses, $0.6 million in merchandise costs, $0.4 million in other service and supplies expenses, $0.7 million in advertising costs, and $0.7 million in facility costs, with the remainder attributable to increases in other general expense categories. These increases were offset by an increase of $0.4 million in deferred funeral home expenses.

Acquisition related costs were $1.1 million for the year ended December 31, 2013, a decrease of $2.0 million, or 66.3%, as compared to $3.1 million during 2012. The decrease was primarily due to a legal settlement, which resulted in a recovery of legal fees in the first and second quarters of 2013. These costs will vary from period to period depending on the amount of acquisition activity that takes place.

Non-segment Allocated Results

Certain statement of operations amounts are not allocated to segment operations. These amounts are those line items that can be found on our consolidated statement of operations below operating profit and above net income (loss).

The table below summarizes these items and the changes between the years ended December 31, 2013 and 2012:

	Year ended December 31,			
	2013	2012	Change ($)	Change (%)
	(in thousands)			
Gain on acquisitions	$ 2,530	$ 122	$ 2,408	1973.8%
Gain on termination of operating agreement		1,737	(1,737)	-100.0%
Gain on settlement agreement, net	12,261		12,261	100.0%

Gain on sale of other assets	155		155	100.0%
Loss on early extinguishment of debt	21,595		21,595	100.0%
Interest expense	21,070	20,503	567	2.8%
Income tax expense (benefit)	$ (2,304)	$ (1,790)	$ (514)	28.7%

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The gain on acquisition recorded during the year ended December 31, 2013 relates to our third quarter 2013 acquisition. The gain on acquisition recorded during the year ended December 31, 2012 relates to one of our second quarter 2012 acquisitions.

During the year ended December 31, 2012, we recognized a gain of $1.7 million related to the termination of an operating agreement. Refer to Note 13 of our consolidated financial statements in Item 8 of this Form 10-K for a more detailed discussion.

During the year ended December 31, 2013, certain proceeds received from a legal settlement were recorded as a gain on settlement agreement on the consolidated statement of operations, resulting in a total gain on settlement of $12.3 million.

The early extinguishment of debt charge of $21.6 million relates to the tender premium of $14.9 million we paid in connection with the early repayment of $150.0 million of our 10.25% Senior Notes due 2017 and the write-off of $6.7 million of unamortized fees and discounts related to those notes.

Interest expense has increased during the year ended December 31, 2013 as compared to the same period last year. This increase is primarily caused by an increase in the aggregate principal amount outstanding on our credit facility, partially offset by a reduction of interest expense related to the refinancing of our Senior Notes in the second quarter of 2013. Average amounts outstanding under our credit facility were $101.3 million and $80.7 million during the years ended December 31, 2013 and 2012, respectively.

We had an income tax benefit of $2.3 million for the year ended December 31, 2013, an increase in the benefit of $0.5 million, or 28.7%, compared to a benefit of $1.8 million during 2012. The increase in the income tax benefit is primarily due to an increase in pre-tax losses at our corporate subsidiaries that are subject to corporate tax. Our effective tax rate differs from our statutory tax rate primarily because our legal entity structure includes different tax filing entities, including a significant number of partnerships that are not subject to paying tax.

Liquidity and Capital Resources

Overview

Our primary short-term liquidity needs are to fund general working capital requirements, repay our debt obligations, service our debt, make routine maintenance capital improvements and pay distributions. We will need additional liquidity to construct mausoleum and lawn crypts on the grounds of our cemetery properties.

Our primary sources of liquidity are cash flows from operations and amounts available under our revolving credit facility as described below. In the past, we have been able to increase our liquidity through long-term bank borrowings and the issuance of additional common units and other partnership securities, including debt, subject to the restrictions in our revolving credit facility and under our senior notes.

We believe that cash generated from operations and our borrowing capacity under our revolving credit facility, which is discussed below, will be sufficient to meet our working capital requirements as well as our anticipated capital expenditures for the foreseeable future.

In addition to macroeconomic conditions, our ability to satisfy our debt service obligations, fund planned capital expenditures, make acquisitions and pay distributions to partners will depend upon our future operating performance. Our operating performance is primarily dependent on the sales volume of customer contracts, the cost of purchasing

cemetery merchandise that we have sold, the amount of funds withdrawn from merchandise trusts and perpetual care trusts and the timing and amount of collections on our pre-need installment contracts.

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Offerings of Common Units

On February 27, 2014, we completed a follow-on public offering of 2,300,000 common units at a price of $24.45 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately $53.2 million. The proceeds from the offering were used to pay down borrowings outstanding under our revolving credit facility.

On May 21, 2014, we sold to ACII, 2,255,947 common units at an aggregate purchase price of $55.0 million, or $24.38 per unit. The proceeds were used primarily to fund the up-front rent consideration for the transaction with the Archdiocese of Philadelphia that closed during the second quarter of 2014.

On June 12, 2014, after the exercise of the underwriters over-allotment option, the Company completed a follow-on public offering of 2,990,000 common units at a price of $23.67 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately $67.1 million. The proceeds from the offering were used to pay the purchase price related to the transaction with Service Corporation International, which closed in the second quarter of 2014, with the remainder used to pay down borrowings outstanding under our revolving credit facility. Refer to Note 13 of our consolidated financial statements included in this Annual Report on Form 10-K for a more detailed discussion of these transactions.

Long-term Debt

7.875% Senior Notes due 2021

Purchase Agreement

On May 16, 2013, we, Cornerstone Family Services of West Virginia Subsidiary, Inc., our wholly owned subsidiary (Cornerstone Co. and together with us, the Issuers), and certain subsidiary guarantors (the Guarantors) entered into a Purchase Agreement (the Purchase Agreement) with Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting on behalf of itself and as the representative for the other initial purchasers named in the Purchase Agreement (collectively, the Initial Purchasers). Pursuant to the Purchase Agreement, the Issuers, as joint and several obligors, agreed to sell to the Initial Purchasers $175.0 million aggregate principal amount of 7.875% Senior Notes due 2021 (the Senior Notes), with an original issue discount of approximately $3.8 million, in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the Securities Act), for resale by the Initial Purchasers (i) to qualified institutional buyers pursuant to Rule 144A under the Securities Act or (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act (the Notes Offering). The Notes Offering closed on May 28, 2013.

The Purchase Agreement contains customary representations and warranties of the parties and indemnification and contribution provisions under which the Issuers and the Guarantors, on one hand, and the Initial Purchasers, on the other, have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

The net proceeds from the Notes Offering were used to retire our previously outstanding $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. We also entered into a Registration Rights Agreement (described below) for the benefit of holders of the Senior Notes.

Indenture

On May 28, 2013, the Issuers, the Guarantors, and Wilmington Trust, National Association, as successor trustee by merger to Wilmington Trust FSB (the Trustee), entered into an indenture (the Indenture) governing the Senior Notes.

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The Issuers 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, commencing on December 1, 2013. The Senior Notes mature on June 1, 2021.

The Senior Notes are senior unsecured obligations of the Issuers that:

- rank equally in right of payment with all existing and future senior debt of the Issuers;
- rank senior in right of payment to all existing and future senior subordinated and subordinated debt of the Issuers;
- are effectively subordinated in right of payment to existing and future secured debt of the Issuers, to the extent of the value of the assets securing such debt; and
- are structurally subordinated to all of the existing and future liabilities of each subsidiary of the Issuers that does not guarantee the Senior Notes.

The Issuers obligations under the Senior Notes and the Indenture are jointly and severally guaranteed (the Note Guarantees) by each of our subsidiary, other than Cornerstone Co., that we have caused or will cause to become a Guarantor pursuant to the terms of the Indenture (each, a Restricted Subsidiary).

At any time on or after June 1, 2016, the Issuers, at their option, 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%

At any time prior to June 1, 2016, the Issuers may, on one or more occasions, redeem all or any portion of the Senior Notes, upon not less than 30 nor more than 60 days notice, 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) as of the redemption date, including accrued and unpaid interest to the redemption date.

In addition, at any time prior to June 1, 2016, the Issuers, at their option, may redeem up to 35% of the aggregate principal amount of the Senior Notes issued under the Indenture with the net cash proceeds of certain our equity offerings described in the Indenture at a redemption price equal to 107.875% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date provided, however, that (i) at least 65% of the aggregate principal amount of the Senior Notes issued under the Indenture remain outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 180 days of the closing

date of such offering.

Subject to certain exceptions, upon the occurrence of a Change of Control (as defined in the Indenture), each holder of the Senior Notes will have the right to require the Issuers 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 to the date of purchase.

The Indenture requires the Issuers and/or the Guarantors, as applicable, to comply with various covenants including, but not limited to, covenants that, subject to certain exceptions, limit our and our Restricted Subsidiaries ability to (i) incur additional indebtedness; (ii) make certain dividends, distributions, redemptions or investments; (iii) enter into certain transactions with affiliates; (iv) create, incur, assume or permit to exist

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certain liens against their assets; (v) make certain sales of their assets; and (vi) engage in certain mergers, consolidations or sales of all or substantially all of their assets. The Indenture also contains various affirmative covenants regarding, among other things, delivery of certain reports filed with the SEC and materials required pursuant to Rule 144A under the Securities Act to holders of the Senior Notes and joinder of future subsidiaries as Guarantors under the Indenture. As of December 31, 2014, we were in compliance with all applicable covenants under the Indenture.

Events of default under the Indenture that could, subject to certain conditions, cause all amounts owing under the Senior Notes to become immediately due and payable include, but are not limited to, the following:

failure by the Issuers to pay interest on any of the Senior Notes when it becomes due and the continuance of any such failure for 30 days;

failure by the Issuers to pay the principal on any of the Senior Notes when it becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise;

the Issuers failure to comply with the agreements and covenants relating to limitations on entering into certain mergers, consolidations or sales of all or substantially all of their assets or in respect of their obligations to purchase the Senior Notes in connection with a Change of Control;

failure by the Issuers to comply with any other agreement or covenant in the Indenture and the continuance of this failure for 60 days after notice of the failure has been given to the Company by the Trustee or holders of at least 25% of the aggregate principal amount of the Senior Notes then outstanding;

failure by the Company to comply with its covenant to deliver certain reports and the continuance of such failure to comply for a period of 120 days after written notice thereof has been given to the Company by the Trustee or by the holders of at least 25% in aggregate principal amount of the Senior Notes then outstanding;

certain defaults under mortgages, indentures or other instruments or agreements under which there may be issued or by which there may be secured or evidenced indebtedness of the Company or any Restricted Subsidiary, whether such indebtedness now exists or is incurred after the date of the Indenture;

certain judgments or orders that exceed $10.0 million in the aggregate for the payment of money have been entered by a court of competent jurisdiction against the Company or any Restricted Subsidiary and such judgments have not been satisfied, stayed, annulled or rescinded within 60 days of being entered;

certain events of bankruptcy of the Company, StoneMor GP LLC, the general partner of the Company (the General Partner), or any Significant Subsidiary (as defined in the Indenture); or

other than in accordance with the terms of the Note Guarantee and the Indenture, the Note Guarantee of any Significant Subsidiary ceasing to be in full force and effect, being declared null and void and unenforceable, found to be invalid or any Guarantor denying its liability under its Note Guarantee.

Registration Rights Agreement

In connection with the sale of the Senior Notes, the Issuers, the Guarantors party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the initial purchasers of the Senior Notes, entered into a Registration Rights Agreement (the Registration Rights Agreement), pursuant to which the Issuers and the Guarantors agreed, for the benefit of the holders of the Senior Notes, to use their commercially reasonable efforts to file a registration statement with the SEC with respect to a registered offer to exchange the Senior Notes for new exchange notes having terms substantially identical in all material respects to the Senior Notes, with certain exceptions (the Exchange Offer). In 2014, we complied with the terms of the Registration Rights Agreement.

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Credit Facility

On April 29, 2011, we replaced our Amended and Restated Credit Agreement (the Original Credit Agreement) with the Second Amended and Restated Credit Agreement (the Second Credit Agreement) among the Operating Company as the Borrower, each of the subsidiaries of the Operating Company as additional Borrowers, the General Partner and us as Guarantors, the Lenders identified therein, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. The terms of the Second Credit Agreement were substantially the same as the terms of the Original Credit Agreement, as amended. The primary purpose of entering into the Second Credit Agreement was to consolidate the amendments to the Original Credit Agreement and to update outdated references. The Second Credit Agreement provided for an Acquisition Credit Facility of $65.0 million and a Revolving Credit Facility of $55.0 million. The Second Credit Agreement was further amended two times prior to January 19, 2012.

On January 19, 2012, we entered into the Third Amended and Restated Credit Agreement (the Third Credit Agreement). The terms of the Third Credit Agreement were substantially the same as the terms of the Second Credit Agreement, as amended. The Third Credit Agreement consolidated the Acquisition Credit Facility and the Revolving Credit Facility into a single revolving credit facility with a borrowing limit of $130.0 million.

The Third Credit Agreement was amended four times prior to December 19, 2014, to, among other things, amend borrowing levels, interest rates and covenants, and to allow additional indebtedness in connection with the Senior Notes issuance. On May 22, 2014, we entered into the Fourth Amendment to the Credit Agreement. The Fourth Amendment increased the maximum Consolidated Leverage Ratio to 4.00 to 1.0 for any period and amended the definition of Consolidated EBITDA to, among other things, remove existing balance sheet adjustments and replace them with certain cash flow statement adjustments. The Fourth Amendment also contained certain conforming changes to reflect the Lenders consent to the closing of the transactions with the Archdiocese of Philadelphia and Service Corporation International, both of which took place in the second quarter of 2014 and are described in detail in Note 13 to the consolidated financial statements included in this Annual Report on Form 10-K.

On December 19, 2014, we entered into the Fourth Amended and Restated Credit Agreement (the Credit Agreement) among StoneMor Operating LLC as a Borrower (the Operating Company), each of the subsidiaries of the Operating Company as additional Borrowers (together with the Operating Company, the Borrowers), StoneMor GP LLC, the general partner of the Partnership, and the Partnership as Guarantors, the Lenders identified therein, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. In addition, on the same date, the Borrowers, the Guarantors and Bank of America, N.A. entered into the Second Amended and Restated Security Agreement (the Security Agreement) and the Second Amended and Restated Pledge Agreement (the Pledge Agreement , and together with the Credit Agreement and the Security Agreement, the New Agreements).

The New Agreements replaced the Third Amended and Restated Credit Agreement, dated January 19, 2012, as amended (the Prior Credit Agreement), Amended and Restated Security Agreement, dated April 29, 2011, as amended, and Amended and Restated Pledge Agreement, dated April 29, 2011, as amended (collectively, the Prior Agreements). The primary purposes of entering into the New Agreements were to consolidate the amendments to the Prior Agreements into the New Agreements, increase the aggregate principal amount of permitted borrowings under the Credit Agreement and modify the mechanics of the revolving credit facility to provide for Acquisition Draws and Working Capital Draws.

The Credit Agreement provides for a single revolving credit facility of $180.0 million (the Credit Facility) maturing on December 19, 2019. Additionally the Credit Agreement provides for an uncommitted ability to increase the Credit Facility by an additional $70.0 million. The summary of the material terms of the New Agreements is set forth below. Capitalized terms which are not defined in the following description shall have the meaning assigned to such terms in

the New Agreements.

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At December 31, 2014, amounts outstanding under the Credit Facility bore interest at rates between 3.5% and 5.5%. The interest rates on the Credit Facility are calculated as follows:

- For Eurodollar Rate Loans, the outstanding principal amount thereof bears interest for each Interest Period at a rate per annum equal to the Eurodollar Rate for the Interest Period plus the Applicable Rate for Eurodollar Rate Loans; and

- For Base Rate Loans and Swing Line Loans, the outstanding principal amount thereof bears interest from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate for Base Rate Loans.

In addition, the Borrowers must pay a Letter of Credit Fee for each Letter of Credit equal to the Applicable Rate for Letter of Credit Fees times the daily amount to be drawn under such Letter of Credit. The Applicable Rate is determined based on our Consolidated Leverage Ratio and our Subsidiaries, and ranges from 2.25% to 4.00% for Eurodollar Rate Loans and Letter of Credit Fees, and 1.25% to 3.00% for Base Rate Loans. The current Applicable Rate for each of: (i) Eurodollar Rate Loans and Letter of Credit Fees is 3.25% and (ii) Base Rate Loans is 2.25% based on the current Consolidated Leverage Ratio. The Credit Agreement also requires the Borrowers to pay a quarterly unused commitment fee, which is calculated based on the amount by which the commitments under the Credit Agreement exceed the usage of such commitments.

The Credit Agreement contains financial covenants, pursuant to which the Borrowers and the Guarantors will not permit:

- Consolidated EBITDA for any Measurement Period to be less than the sum of (i) $80.0 million plus (ii) 80% of the aggregate of all Consolidated EBITDA for each Permitted Acquisition completed after June 30, 2014;

- the Consolidated Debt Service Coverage Ratio to be less than 2.50 to 1.0 for any Measurement Period; and

- the Consolidated Leverage Ratio to be greater than 4.00 to 1.0 for any period.

The covenants include, among other limitations, limitations on: (i) liens, (ii) the creation or incurrence of debt, (iii) investments and acquisitions, (iv) dispositions of property, (v) dividends, distributions and redemptions, and (vi) transactions with Affiliates.

As of December 31, 2014, we were in compliance with all applicable financial covenants.

The Credit Agreement provides that two types of draws are permitted with respect to the Credit Facility: Acquisition Draws and Working Capital Draws. The proceeds of Acquisition Draws may be utilized by the Borrowers to finance Permitted Acquisitions, the purchase and construction of mausoleums and related costs or the net amount of Merchandise Trust deposits made after the Closing Date under the Credit Agreement, irrespective of whether such amounts relate to new or existing cemeteries or funeral homes. The proceeds of Working Capital Draws, Letters of Credit and Swing Line Loans may be utilized by the Borrowers to finance working capital requirements, Capital Expenditures and for other general corporate purposes. The borrowing of Working Capital Advances is subject to a

borrowing formula of 85% of Eligible Receivables.

Each Acquisition Draw is subject to equal quarterly amortization of the principal amount of such draw, with annual principal payments comprised of ten percent (10%) of the related draw amount, commencing on the second anniversary of such draw, with the remaining principal due on the Maturity Date, subject to certain mandatory prepayment requirements. Working Capital Draws are due on the Maturity Date, subject to certain mandatory prepayment requirements.

The Borrowers obligations under the Credit Agreement are guaranteed by both us and the General Partner.

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Pursuant to the Security Agreement and the Pledge Agreement, the Borrowers obligations under the Credit Facility are secured by a first priority lien and security interest in substantially all of the Borrowers assets, whether then owned or thereafter acquired, excluding: (i) trust accounts, certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts; (ii) the General Partner s interest in us, the incentive distribution rights under our partnership agreement and the deposit accounts of the General Partner into which distributions are received; (iii) Equipment subject to a purchase money security interest or equipment lease permitted under the Credit Agreement and certain other contract rights under which contractual, legal or other restrictions on assignment would prohibit the creation of a security interest or such creation of a security interest would result in a default thereunder.

Events of Default under the Credit Agreement include, but are not limited to, the following:

- non-payment of any principal, interest or other amounts due under the Credit Agreement or any other Credit Document;

- failure to observe or perform any covenants related to: (i) the delivery of financial statements, compliance certificates, reports and other information; (ii) providing prompt notice of Defaults and other events; (iii) the preservation of the legal existence and good standing of each Borrower and Guarantor; (iv) the ability of the Administrative Agent and each Lender to visit and inspect properties, examine books and records, and discuss financial and business affairs with directors, officers and independent public accountants of each Borrower and Guarantor; (v) restrictions on the use of proceeds; (vi) guarantees by new Subsidiaries; (vii) the maintenance of corporate formalities for each Borrower and Guarantor; (viii) the maintenance of Trust Accounts and Trust Funds; and (ix) any of the negative covenants or financial covenants contained in the Credit Agreement;

- failure to observe or perform any other covenant, if uncured 30 days after notice thereof is provided by the Administrative Agent or Lenders;

- any default under any other Indebtedness of the Borrowers or Guarantors;

- any insolvency proceedings by a Borrower or Guarantor;

- the insolvency of any Borrower or Guarantor, or a writ of attachment or execution or similar process issuing or being levied against any material part of the property of a Borrower or Guarantor; and

- any Change in Control.

Amounts outstanding under our Credit Facility fluctuated during the years ended December 31, 2014 and 2013. At the beginning of 2013, we had $101.7 million outstanding on our Credit Facility. During the first quarter of 2013, we reduced our borrowings on the Credit Facility by $19.8 million as we had borrowed $18.6 million prior to March 26, 2013 and then we used the net proceeds of approximately $38.4 million from our March 26, 2013 follow-on public offering to pay down amounts outstanding on our Credit Facility. We borrowed an additional $21.0 million during the

second quarter of 2013 and then we used the remaining proceeds of approximately $11.9 million from our May 28, 2013 debt offering to further pay down amounts outstanding on our Credit Facility. During the third and fourth quarters of 2013, we had net borrowings of $8.5 million and $14.5 million, respectively, resulting in outstanding borrowings of $114.0 million on our Credit Facility at December 31, 2013. During the first quarter of 2014, we reduced our borrowings on the Credit Facility by $36.6 million as we had borrowed $17.0 million prior to February 27, 2014 and then we used the net proceeds from our February 27, 2014 follow-on public offering and other available cash to pay down $53.6 million of amounts outstanding on our Credit Facility. During the second quarter of 2014, we increased our borrowings on the Credit Facility by $1.0 million as we had borrowed $19.0 million prior to June 12, 2014 and then we used a portion of the proceeds from our June 12, 2014 follow-on public offering and other available cash to pay down $18.0 million of amounts outstanding on our Credit Facility. During the third and fourth quarters of 2014, we increased our borrowings on the Credit Facility by a net $13.0 million and $19.5 million, respectively, resulting in outstanding borrowings of $110.9 million on our Credit Facility at December 31, 2014. The average amounts borrowed under our Credit Facility were $95.5 million and $101.3 million for the years ended December 31, 2014 and 2013, respectively.

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Notes Payable Acquisitions

In July of 2009, certain of our subsidiaries entered into a $1.4 million note purchase agreement in connection with an operating agreement in which we became the exclusive operator of Green Lawn Cemetery (the Green Lawn Note). The Green Lawn Note bears interest at a rate of 6.5% per year on unpaid principal and is payable monthly, beginning on August 1, 2009. Principal on the note is due in 96 equal installments beginning on July 1, 2011. At December 31, 2014 and 2013, the liability related to the installment note was stated on our consolidated balance sheet at approximately $0.9 million and $1.0 million, respectively.

Acquisition Non-Compete Notes

In connection with several of our 2013, 2012, 2011 and 2010 acquisitions, certain of our subsidiaries issued installment notes in consideration for non-compete agreements executed with the former owners of the acquired entities. The installment notes have varying payment terms and mature through February 19, 2019. The installment notes do not have a stated rate of interest. At inception, we recorded the installment notes at their fair market value of approximately $4.0 million. The face amounts of the installment notes were discounted approximately $0.9 million, and the discount is being amortized to interest expense over the life of the installment notes. At December 31, 2014 and 2013, the liability related to the installment notes, net of discounts, was stated on our consolidated balance sheet at approximately $2.5 million and $3.4 million, respectively.

Cash Flow from Operating Activities

Net cash flows provided by operating activities were $19.4 million during 2014, a decrease of $15.7 million, compared to $35.1 million during 2013. Cash flows provided by operating activities were higher in 2013 primarily due to the $11.9 million of cash received in our first and second quarter 2013 legal settlement. Further, in 2013 less cash was used for accounts payable and accounts receivable. These were offset in part by more of an inflow into our merchandise trusts during 2013.

Net cash flows provided by operating activities were $35.1 million during 2013, an increase of $3.2 million, compared to cash provided by operating activities of $31.9 million in 2012. Factors contributing to a net increase in cash flows from operations include cash received in our legal settlement, more cash generated from normal revenue producing activities, and less cash used for accounts payable, offset by increased uses of cash into our merchandise trusts.

Net cash flows from operations in 2014, 2013 and 2012 exceeded our net losses of $10.8 million, $19.0 million and $3.0 million, respectively, during the same periods. The differences between our operating cash flows and net losses are in large part attributable to the fact that various cash inflows for payments of amounts due under pre-need sales contracts were not and are not as of yet recognized as revenues as we had not and have not met the delivery criteria for revenue recognition. Although there is no assurance, we expect that the trend of operating cash flows exceeding our net income or net loss will continue into the foreseeable future.

Cash Flow from Investing Activities

Net cash used in investing activities was $123.7 million during 2014, an increase of $97.0 million, compared to $26.7 million during 2013. Cash flows used for investing activities during 2014 were $56.4 million for the acquisition of 13 cemeteries and 11 funeral homes, $53.0 million for up-front rent for the transaction with the Archdiocese of Philadelphia and $14.6 million for other capital expenditures, partially offset by $0.3 million in proceeds from the sale of a funeral home, compared to $14.1 million utilized for the acquisition of 6 funeral homes and one cemetery and $12.8 million for other capital expenditures, partially offset by $0.2 million in proceeds from the sale of other assets in

2013.

Net cash used in investing activities was $26.7 million during 2013, a decrease in cash used of $13.2 million, compared to $39.9 million during 2012. Cash flows used for investing activities during 2013 primarily were $14.1 million for the acquisition of 6 funeral homes and one cemetery and $12.8 million for other capital

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expenditures, partially offset by $0.2 million in proceeds from the sale of other assets, compared to $28.0 million utilized for the acquisition of 5 cemetery properties and 17 funeral homes and $11.9 million for other capital expenditures in 2012.

Cash Flow from Financing Activities

Net cash flows provided by financing activities were $102.4 million during 2014, compared to $4.1 million net cash used in financing activities during 2013. Cash flows provided by financing activities during 2014 consisted of $173.5 million of net proceeds from our follow-on public offerings and our issuance of common units to ACII, partially offset by net repayments of long-term debt of $5.3 million, costs of financing activities of $3.0 million, and cash distributions to unit holders of $62.8 million. Cash flows provided by financing activities during 2013 consisted of $38.4 million of proceeds from our follow-on public offering and $269.5 million from long-term borrowings, inclusive of the issuance of $175.0 million of Senior Notes. These in-flows were offset by repayments of long-term debt of $239.9 million, inclusive of the retirement of our $150.0 million of Prior Senior Notes, as well as fees associated with this retirement of $14.9 million, costs of financing activities of $5.1 million and cash distributions to unit holders of $52.1 million. Additionally, we borrow to fund working capital as a result of cash build-ups in our accounts receivable and merchandise trusts and to fund acquisitions related to pre-need sales growth.

Net cash used in financing activities was $4.1 million during 2013, compared to $3.9 million net cash provided by financing activities during 2012. Cash flows provided by financing activities during 2013 consisted of $38.4 million of proceeds from our follow-on public offering and $269.5 million from long-term borrowings, inclusive of the issuance of $175.0 million of Senior Notes. These in-flows were offset by repayments of long-term debt of $239.9 million, inclusive of the retirement of our $150.0 million of Prior Senior Notes, as well as fees associated with this retirement of $14.9 million, costs of financing activities of $5.1 million and cash distributions to unit holders of $52.1 million. Cash flows provided by financing activities during 2012 primarily were $54.0 million of net borrowing of long-term debt, offset by cash distributions to unit holders of $47.5 million and costs of financing activities of $2.4 million.

Capital Expenditures

The following table summarizes total maintenance capital expenditures and expansion capital expenditures, including expenditures for acquisitions described in Note 13 of our consolidated financial statements included in this Annual Report on Form 10-K and the construction of mausoleums for the periods presented:

	Year ended December 31,		
	2014	2013	2012
	(in thousands)		
Maintenance capital expenditures	$ 8,398	$ 6,986	$ 4,874
Expansion capital expenditures	115,557	19,866	35,074
Total capital expenditures	$ 123,955	$ 26,852	$ 39,948

Pursuant to our partnership agreement, in connection with determining operating cash flows available for distribution, costs to construct mausoleum crypts and lawn crypts may be considered to be a combination of maintenance capital expenditures and expansion capital expenditures depending on the purposes for construction. Our general partner, with the concurrence of its Conflicts Committee, has the discretion to determine how to allocate a capital expenditure

for the construction of a mausoleum crypt or a lawn crypt between maintenance capital expenditures and expansion capital expenditures. In addition, maintenance capital expenditures for the construction of a mausoleum crypt or a lawn crypt are not subtracted from operating surplus in the quarter incurred but rather are subtracted from operating surplus ratably during the estimated number of years it will take to sell all of the available spaces in the mausoleum or lawn crypt. Estimated life is determined by our general partner, with the concurrence of its Conflicts Committee.

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Off Balance Sheet Arrangements, Contractual Obligations and Contingencies

We had no off-balance sheet arrangements as of December 31, 2014 or 2013.

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 in force pre-need sales contracts.

A summary of our total contractual obligations as of December 31, 2014 is presented in the table below:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousands)		
Debt (1)	$ 399,648	$ 20,124	$ 37,822	$ 147,175	$ 194,527
Operating leases	11,535	2,392	4,219	3,365	1,559
Lease and management agreements (2)	36,650				36,650
Merchandise liabilities (3)	150,192				
Total	$ 598,025	$ 22,516	$ 42,041	$ 150,540	$ 232,736

(1) Represents the interest payable and par value of debt due and does not include the unamortized debt discounts of $3.5 million at December 31, 2014. This table assumes that current amounts outstanding under our Credit Facility are not repaid until the maturity date of December 2019.

(2) Represents the aggregate future rent payments due, with interest, from 2025 through 2049, and does not include the unamortized discount. Refer to the Liquidity and Capital Resources: Agreements with the Archdiocese of Philadelphia section below for more information on the payments to be made.

(3) Total cannot be separated into periods because we are unable to anticipate when the merchandise will be needed.

Agreements with the Archdiocese of Philadelphia

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

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

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

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The information presented below should be read in conjunction with the notes to our audited consolidated financial statements included under Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K.

The market risk inherent in our market risk sensitive instruments and positions is the potential change arising from increases or decreases in interest rates and the prices of marketable equity securities, as discussed below. Our exposure to market risk includes forward-looking statements and represents an estimate of possible

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changes in fair value or future earnings that would occur assuming hypothetical future movements in interest rates or debt and equity markets. Our views on market risk are not necessarily indicative of actual results that may occur and do not represent the maximum possible gains and losses that may occur, since actual gains and losses will differ from those estimated, based on actual fluctuations in interest rates, equity markets and the timing of transactions. We classify our market risk sensitive instruments and positions as other than trading.

Interest-bearing Investments

Our fixed-income securities subject to market risk consist primarily of investments in our merchandise trusts and perpetual care trusts. As of December 31, 2014, the fair value of fixed-income securities in our merchandise trusts represented 3.4% of the fair value of total trust assets while the fair value of fixed-income securities in our perpetual care trusts represented 7.0% of the fair value of total trust assets. The aggregate quoted fair value of these fixed-income securities was $16.4 million and $24.0 million in the merchandise trusts and perpetual care trusts, respectively, as of December 31, 2014. Each 1% change in interest rates on these fixed-income securities would result in changes of approximately $164,000 and $240,000 in the fair market value of the assets in our merchandise trusts and perpetual care trusts, respectively, 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 investments in our merchandise trusts and perpetual care trusts. As of December 31, 2014, the fair value of money market and short-term investments in our merchandise trusts represented 10.8% of the fair value of total trust assets while the fair value of money market and short-term investments in our perpetual care trusts represented 7.7% of the fair value of total trust assets. The aggregate quoted fair value of these money market and short-term investments was $52.5 million and $26.6 million in the merchandise trusts and perpetual care trusts, respectively, as of December 31, 2014. Each 1% change in interest rates on these money market and short-term investments would result in changes of approximately $525,000 and $266,000 in the fair market value of the assets in our merchandise trusts and perpetual care trusts, respectively, based on discounted expected future cash flows.

Marketable Equity Securities

Our marketable equity securities subject to market risk consist primarily of 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, 2014, the fair value of marketable equity securities in our merchandise trusts represented 16.6% of the fair value of total trust assets while the fair value of marketable equity securities in our perpetual care trusts represented 13.1% of total trust assets. The aggregate quoted fair market value of these marketable equity securities was $80.3 million and $45.1 million in our merchandise trusts and perpetual care trusts, respectively, as of December 31, 2014, based on final quoted sales prices. Each 10% change in the average market prices of the equity securities would result in a change of approximately $8.0 million and $4.5 million in the fair market value of securities held in the merchandise trusts and perpetual care trusts, respectively. As of December 31, 2014, the fair value of marketable closed and open ended mutual funds in our merchandise trusts represented 66.4% of the fair value of total trust assets, 29.4% of which pertained to fixed-income mutual funds. As of December 31, 2014, the fair value of closed and open ended mutual funds in our perpetual care trusts represented 72.2% of total trust assets, 35.9% of which pertained to fixed-income mutual funds. The aggregate quoted fair market value of these closed and open ended mutual funds was $322.1 million and $249.3 million, respectively, in the merchandise trusts and perpetual care trusts as of December 31, 2014, based on final quoted sales prices, of which $142.7 million and $123.9 million, respectively, pertained to fixed-income mutual funds. Each 10% change in the average market prices of the closed and open ended mutual funds would result in a change of approximately $32.2 million and $24.9 million in the fair market value of securities held in our merchandise trusts and perpetual care trusts, respectively.

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Investment Strategies and Objectives

Our internal investment strategies and objectives for funds held in the merchandise trusts and perpetual care trusts are specified in an Investment Policy Statement that requires us to do the following:

- State in a written document our expectations, objectives, tolerances for risk and guidelines in the investment of our assets;

- Set forth a disciplined and consistent structure for managing all trust assets. This structure is based on a long-term asset allocation strategy, which is diversified across asset classes, investment styles and strategies. We believe this structure is likely to meet our stated objectives within our tolerances for risk and variability. This structure also includes ranges around the target allocations allowing for adjustments when appropriate to reduce risk or enhance returns. It further includes guidelines for the selection of investment managers and vehicles through which to implement the investment strategy;

- Provide specific guidelines for each investment manager. These guidelines control the level of overall risk and liquidity assumed in each portfolio;

- Appoint third-party investment advisors to oversee the specific investment managers and advise our Trust Committee; and

- Establish criteria to monitor, evaluate and compare the performance results achieved by the overall trust portfolios and by our investment managers. This allows us to compare the performance results of the trusts to our objectives and other benchmarks, including peer performance, on a regular basis.

Our investment guidelines are based on relatively long investment horizons, which vary with the type of trust. Because of this, interim fluctuations should be viewed with appropriate perspective. The strategic asset allocation of the trust portfolios is also based on this longer-term perspective. However, in developing our investment policy, we have taken into account the potential negative impact on our operations and financial performance of significant short-term declines in market value.

We recognize the challenges we face in achieving our investment objectives in light of the uncertainties and complexities of contemporary investment markets. Furthermore, we recognize that in order to achieve the stated long-term objectives we may have short-term declines in market value. Given the need to maintain consistent values in the portfolio, we have attempted to develop a strategy, which is likely to maximize returns and earnings without experiencing overall declines in value in excess of 3% over any 12-month period. We were able to achieve our investment objective in 2014, 2013 and 2012.

In order to consistently achieve the stated return objectives within our tolerance for risk, we use a strategy of allocating appropriate portions of our portfolio to a variety of asset classes with attractive risk and return characteristics, and low to moderate correlations of returns. See the notes to our consolidated financial statements for a breakdown of the assets held in our merchandise trusts and perpetual care trusts by asset class.

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, 2014, we had $110.9 million of borrowings outstanding under our Credit Facility. After these borrowings, our total available borrowing capacity under the Credit Facility is $69.1 million. 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, 2014, we had approximately $85.9 million of working capital draws, which are limited to a borrowing formula of 85% of eligible account receivables. This limit was $128.6 million at December 31, 2014. The amounts outstanding under the Credit Facility bore interest at rates between 3.5% and 5.5% at December 31, 2014. A 1% increase in our interest rates would increase our annual interest expense by approximately $1.1 million, based on our borrowings outstanding under the Credit Facility as of December 31, 2014.

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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.

Levittown, Pennsylvania

We have audited the accompanying consolidated balance sheets of StoneMor Partners L.P. and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, partners capital (deficit), and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company 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, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, 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 Company s internal control over financial reporting as of December 31, 2014, 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 March 16, 2015 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
March 16, 2015

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StoneMor Partners L.P.

Consolidated Balance Sheet

(in thousands)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 10,401	$ 12,175
Accounts receivable, net of allowance	62,503	55,415
Prepaid expenses	4,708	3,622
Other current assets	24,266	22,667
Total current assets	101,878	93,879
Long-term accounts receivable, net of allowance	89,536	78,367
Cemetery property	339,848	316,469
Property and equipment, net of accumulated depreciation	100,391	85,007
Merchandise trusts, restricted, at fair value	484,820	431,556
Perpetual care trusts, restricted, at fair value	345,105	311,771
Deferred financing costs, net of accumulated amortization	9,089	8,308
Deferred selling and obtaining costs	97,795	87,998
Deferred tax assets	40	42
Goodwill	58,836	48,737
Intangible assets	68,990	9,655
Other assets	3,136	2,554
Total assets	$ 1,699,464	$ 1,474,343
Liabilities and partners capital		
Current liabilities:		
Accounts payable and accrued liabilities	$ 35,382	$ 37,269
Accrued interest	1,219	1,512
Current portion, long-term debt	2,251	2,916
Total current liabilities	38,852	41,697
Other long-term liabilities	1,292	1,527
Obligation for lease and management agreements, net	8,767	
Long-term debt	285,378	289,016
Deferred cemetery revenues, net	643,408	579,993
Deferred tax liabilities	17,708	12,407
Merchandise liability	150,192	130,412
Perpetual care trust corpus	345,105	311,771

Total liabilities	1,490,702	1,366,823
Commitments and contingencies		
Partners capital (deficit)		
General partner deficit	(5,113)	(2,137)
Common partners, 29,204 and 21,377 units outstanding as of December 31, 2014 and December 31, 2013, respectively	213,875	109,657
Total partners capital	208,762	107,520
Total liabilities and partners capital	$ 1,699,464	$ 1,474,343

See Accompanying Notes to the Consolidated Financial Statements.

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StoneMor Partners L.P.

Consolidated Statement of Operations

(in thousands, except per unit data)

	2014	2013	2012
Revenues:			
Cemetery			
Merchandise	$ 132,355	$ 110,673	$ 114,025
Services	51,827	44,054	46,094
Investment and other	55,217	46,959	46,808
Funeral home			
Merchandise	21,060	18,922	15,551
Services	27,626	26,033	20,128
Total revenues	288,085	246,641	242,606
Costs and Expenses:			
Cost of goods sold (exclusive of depreciation shown separately below):			
Perpetual care	6,867	5,656	5,715
Merchandise	26,785	22,203	22,386
Cemetery expense	64,672	57,566	55,410
Selling expense	55,277	47,832	46,878
General and administrative expense	35,110	31,873	28,928
Corporate overhead (including $1,068, $1,370 and $916 in unit-based compensation for 2014, 2013 and 2012, respectively)	32,454	28,875	28,169
Depreciation and amortization	11,081	9,548	9,431
Funeral home expense			
Merchandise	6,659	5,569	5,200
Services	20,470	19,190	14,574
Other	12,581	10,895	8,951
Acquisition related costs, net of recoveries	2,269	1,051	3,123
Total cost and expenses	274,225	240,258	228,765
Operating profit	13,860	6,383	13,841
Gain on acquisitions	412	2,530	122
Gain on termination of operating agreement			1,737
Gain on settlement agreement, net	888	12,261	
Gain on sale of other assets		155	
Gain on sale of funeral home	244		
Loss on early extinguishment of debt	214	21,595	
Loss on impairment of long-lived assets	440		
Interest expense	21,610	21,070	20,503

Net loss before income taxes	(6,860)	(21,336)	(4,803)
Income tax expense (benefit)	3,913	(2,304)	(1,790)
Net loss	$ (10,773)	$ (19,032)	$ (3,013)
General partner s interest in net loss for the period	$ (155)	$ (350)	$ (60)
Limited partners interest in net loss for the period	$ (10,618)	$ (18,682)	$ (2,953)
Net loss per limited partner unit (basic and diluted)	$ (0.40)	$ (0.89)	$ (0.15)
Weighted average number of limited partners units outstanding (basic and diluted)	26,582	20,954	19,445
Distributions declared per unit	$ 2.430	$ 2.385	$ 2.350

See Accompanying Notes to the Consolidated Financial Statements.

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StoneMor Partners L.P.

Consolidated Statement of Partners Capital (Deficit)

(in thousands)

	Partners Capital (Deficit)		
	Common Unit Holders	General Partner	Total
Balance, December 31, 2011	$ 178,087	$ 2,192	$ 180,279
Issuance of common units	4,754		4,754
General partner contribution		89	89
Compensation related to units awards	527		527
Net loss	(2,953)	(60)	(3,013)
Cash distributions	(45,619)	(1,835)	(47,454)
Balance, December 31, 2012	134,796	386	135,182
Proceeds from public offering	38,377		38,377
Issuance of common units	3,718		3,718
Compensation related to units awards	1,328		1,328
Net loss	(18,682)	(350)	(19,032)
Cash distributions	(49,880)	(2,173)	(52,053)
Balance, December 31, 2013	109,657	(2,137)	107,520
Proceeds from public offerings	120,345		120,345
Issuance of common units	56,213		56,213
Compensation related to units awards	1,068		1,068
Net loss	(10,618)	(155)	(10,773)
Cash distributions	(60,015)	(2,821)	(62,836)
Unit distributions	(2,775)		(2,775)
Balance, December 31, 2014	$ 213,875	$ (5,113)	$ 208,762

See Accompanying Notes to the Consolidated Financial Statements.

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StoneMor Partners L.P.

Consolidated Statement of Cash Flows

(in thousands)

	2014	2013	2012
Operating activities:			
Net loss	$ (10,773)	$ (19,032)	$ (3,013)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Cost of lots sold	10,291	8,019	7,818
Depreciation and amortization	11,081	9,548	9,431
Unit-based compensation	1,068	1,370	916
Accretion of debt discounts	2,939	2,303	1,739
Gain on termination of operating agreement			(1,737)
Gain on acquisitions	(412)	(2,530)	(122)
Gain on sale of other assets		(155)	
Gain on sale of funeral home	(244)		
Loss on early extinguishment of debt	214	21,595	
Loss on impairment of long-lived assets	440		
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	(11,337)	(8,926)	(5,475)
Allowance for doubtful accounts	981	92	1,210
Merchandise trust fund	(28,828)	(36,919)	(11,806)
Prepaid expenses	(1,064)	210	527
Other current assets	(1,500)	(5,248)	(2,165)
Other assets	(615)	2,861	128
Accounts payable and accrued and other liabilities	(2,219)	7,588	4,330
Deferred selling and obtaining costs	(9,797)	(11,681)	(7,775)
Deferred cemetery revenue	60,841	72,708	47,548
Deferred taxes (net)	2,743	(2,865)	(2,398)
Merchandise liability	(4,361)	(3,861)	(7,260)
Net cash provided by operating activities	19,448	35,077	31,896
Investing activities:			
Cash paid for cemetery property	(6,176)	(5,766)	(7,098)
Purchase of subsidiaries	(56,381)	(14,100)	(27,976)
Consideration for lease and management agreements	(53,000)		
Proceeds from divestiture of funeral home	297		
Cash paid for property and equipment	(8,398)	(6,986)	(4,874)
Proceeds from sales of other assets		155	
Net cash used in investing activities	(123,658)	(26,697)	(39,948)

Financing activities:			
Cash distributions	(62,836)	(52,053)	(47,454)
Additional borrowings on long-term debt	92,865	269,502	84,000
Repayments of long-term debt	(98,140)	(239,932)	(30,271)
Proceeds from public offering	120,345	38,377	
Proceeds from issuance of common units	53,152		
Proceeds from general partner contributions			89
Fees paid related to early extinguishment of debt		(14,920)	
Cost of financing activities	(2,950)	(5,125)	(2,424)
Net cash provided by (used in) financing activities	102,436	(4,151)	3,940
Net increase (decrease) in cash and cash equivalents	(1,774)	4,229	(4,112)
Cash and cash equivalents Beginning of period	12,175	7,946	12,058
Cash and cash equivalents End of period	$ 10,401	$ 12,175	$ 7,946
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	$ 18,796	$ 18,907	$ 18,481
Cash paid during the period for income taxes	$ 4,315	$ 3,891	$ 4,101
Non-cash investing and financing activities:			
Acquisition of assets by financing	$ 387	$ 190	$ 287
Issuance of limited partner units for cemetery acquisition	$	$ 3,718	$ 4,753
Acquisition of assets by assumption of directly related liability	$ 8,368	$ 3,924	$ 2,469

See Accompanying Notes to the Consolidated Financial Statements.

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1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

StoneMor Partners L.P. (StoneMor, the Company or the Partnership) is a provider of funeral and cemetery products and services in the death care industry in the United States. Through its subsidiaries, StoneMor offers a complete range of funeral merchandise and services, along with cemetery property, merchandise and services, both at the time of need and on a pre-need basis. As of December 31, 2014, the Partnership operated 303 cemeteries in 27 states and Puerto Rico, of which 272 are owned and 31 are operated under lease, management or operating agreements. The Partnership also owned and operated 98 funeral homes in 19 states and Puerto Rico.

Basis of Presentation

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

The Company s presentation of its intangible assets within its consolidated balance sheet has changed. These assets were previously presented within the Other assets caption and are now presented as the separate caption, Intangible assets. The change in presentation is due to the recording of an intangible asset resulting from the transaction with the Archdiocese of Philadelphia that closed in the second quarter of 2014. Refer to Note 13 for a detailed discussion on this transaction. This change in presentation has no effect on any other previously reported amounts, including Total assets.

Principles of Consolidation

The consolidated financial statements include the accounts of each of the Company s subsidiaries. These statements also include the accounts of the merchandise and perpetual care trusts in which the Company has a variable interest and is the primary beneficiary. The Company operates 31 cemeteries under long-term lease, operating or management contracts. The operations of 16 of these managed cemeteries have been consolidated in accordance with the provisions of Accounting Standards Codification (ASC) 810. The financial statements also include the effects of retrospective adjustments resulting from the Company s 2013 first quarter acquisition (see Note 13).

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

Total revenues derived from the cemeteries under long-term lease, operating or management agreements totaled approximately $42.5 million, $33.2 million and $39.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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Summary of Significant Accounting Policies

The significant accounting policies followed by the Company are summarized below:

Cash and Cash Equivalents

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

Cemetery Property

Cemetery property consists of developed and undeveloped cemetery property, constructed mausoleum crypts and lawn crypts and other cemetery property. Cemetery property is valued at cost, which is not in excess of market value.

Property and Equipment

Property and equipment is recorded at cost and depreciated on a straight-line basis. Maintenance and repairs are charged to expense as incurred, whereas additions and major replacements are capitalized and depreciation is recorded over their estimated useful lives as follows:

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

Merchandise Trusts

Pursuant to state law, a portion of the proceeds from pre-need sales of merchandise and services is put into trust (the merchandise trust) until such time that the Company meets the requirements for releasing trust principal, which is generally delivery of merchandise or performance of services. All investment earnings generated by the assets in the merchandise trusts (including realized gains and losses) are deferred until the associated merchandise is delivered or the services are performed (see Note 5).

Perpetual Care Trusts

Pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. The perpetual care trust principal does not belong to the Company and must remain in this trust into perpetuity while interest and dividends may be released and used to defray cemetery maintenance costs, which are expensed as incurred. The Company consolidates the trust into the Company s financial statements in accordance with ASC 810-10-15 (13 through 22) because the trust is considered a variable interest entity for which the Company is the primary beneficiary. Earnings from the perpetual care trusts are recognized in current cemetery revenues (see Note 6).

Inventories

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

and $5.4 million at December 31, 2014 and 2013, respectively.

Impairment of Long-Lived Assets

The Company monitors the recoverability of long-lived assets, including cemetery property, property and equipment and other assets, based on estimates using factors such as current market value, future asset

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utilization, business and regulatory climate and future undiscounted cash flows expected to result from the use of the related assets, at a location level. The Company s policy is to evaluate an asset for impairment when events or circumstances indicate that a long-lived asset s carrying value may not be recovered. An impairment charge is recorded to write-down the asset to its fair value if the sum of future undiscounted cash flows is less than the carrying value of the asset. During the fourth quarter of 2014, the Company recorded an impairment loss of $0.4 million relating to a funeral home building in Florida. The impairment loss was based on the difference between the building s estimated fair value and its carrying value. No impairment charges were recorded during the years ended December 31, 2013 and 2012, respectively.

Other-Than-Temporary Impairment of Trust Assets

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

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

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

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

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

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

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

The trust footnotes (Notes 5 and 6) disclose the adjusted cost basis of the assets in both the merchandise and perpetual care trusts. This adjusted cost basis includes any adjustments to the original cost basis due to other-than-temporary impairments.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired. The Company tests goodwill for impairment using a two-step test. In the first step of the test, the Company compares the fair value of the reporting unit to its carrying amount, including goodwill. The Company determines the fair value of each reporting unit using the income approach. The Company does 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, the Company proceeds to the second step of the test in which it determines and records 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.

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.

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

Sales of Cemetery Merchandise and Services

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

Pre-need sales are usually made on an installment contract basis. Contracts are usually for a period not to exceed 60 months with payments of principal and interest required. For those contracts that do not bear a market rate of interest, the Company imputes such interest based upon the prime rate plus 150 basis points, which resulted in a rate of 4.75% for contracts entered into during the years ended December 31, 2014, 2013 and 2012, in order to segregate the principal and interest component of the total contract value.

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

The allowance for customer cancellations is established based on management s estimates of expected cancellations and historical experiences and is currently averaging approximately 10% of total contract values. Future cancellation rates may differ from this current estimate. Management 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, 2014 and December 31, 2013, respectively.

Revenue recognition related to sales of cemetery merchandise and services is governed by Securities and Exchange Commission Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements (SAB No. 104), and the retail land sales provisions of ASC 976. Per this guidance, revenue from the sale of burial lots and constructed mausoleum crypts is deferred until such time that 10% of the sales price has been collected, at which time it is fully earned; revenues from the sale of unconstructed mausoleums are recognized using the percentage-of-completion method of accounting while revenues from merchandise and services are recognized once such merchandise is delivered (title has transferred to the customer and the merchandise is either installed or stored, at the direction of the customer, at the vendor s warehouse or a third-party warehouse at no additional cost to us) or services are performed.

In order to appropriately match revenue and expenses, the Company defers certain pre-need cemetery and prearranged funeral direct obtaining costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral business. Such costs are accounted for under the provisions of ASC 944, and are expensed as revenues are recognized.

The Company records a merchandise liability equal to the estimated cost to provide services and purchase merchandise for all outstanding and unfulfilled pre-need contracts. The merchandise liability is established and recorded at the time of the sale but is not recognized as an expense until such time that the associated revenue for the underlying contract is also recognized. The merchandise liability is established based on actual costs incurred

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or an estimate of future costs, which may include a provision for inflation. The merchandise liability is reduced when services are performed or when payment for merchandise is made by the Company and title is transferred to the customer.

Sales of Funeral Home Services

Revenue from funeral home services is recognized as services are performed and merchandise is delivered.

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

Income Taxes

The Company s subsidiaries are subject to both federal and state income taxes. The Company records deferred tax assets and deferred tax liabilities to recognize temporary differences between the bases of assets and liabilities in its tax and GAAP balance sheets and for federal and state net operating loss carryforwards and alternative minimum tax credits. The Company records a valuation allowance against its deferred tax assets if it deems that it is more likely than not that some portion or all of the recorded deferred tax assets will not be realizable in future periods.

Net Income per Unit

Basic net income per unit is determined by dividing net income, after deducting the amount of net income allocated to the general partner interest from its issuance date of September 20, 2004, by the weighted average number of units outstanding during the period. Diluted net income per unit is calculated in the same manner as basic net income per unit, except that the weighted average number of outstanding units is increased to include the dilutive effect of outstanding unit options and phantom unit awards. All outstanding unit appreciation rights (see Note 11) that would have a dilutive effect were assumed to be exercised and converted to common units using the average fair market value of a common unit for the period presented. Also, the average phantom units outstanding during the period were assumed to be converted to common units for the period presented. The diluted weighted average number of limited partners units outstanding presented on the consolidated statement of operations does not include 164,709 units, 297,078 units and 253,384 units for the years ended December 31, 2014, 2013 and 2012, respectively, as their effects would be anti-dilutive.

New Accounting Pronouncements

In the second quarter of 2014, the Financial Accounting Standards Board issued Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which supersedes the revenue recognition requirements in Topic 605 Revenue Recognition and most industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is currently in the process of evaluating the potential impact of this update on its financial statements.

In the first quarter of 2015, the Financial Accounting Standards Board issued Update No. 2015-02, Consolidation (Topic 810) (ASU 2015-02), which amends previous consolidation analysis guidance. ASU 2015-02 requires

companies to consider revised consolidation criteria regarding limited partnerships and similar

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legal entities. The amendments are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early application is permitted. The Company is currently in the process of evaluating the impact of this update, which is not expected to have a significant impact on its financial position, results of operations, or cash flows.

Use of Estimates

Preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting periods. As a result, actual results could differ from those estimates. The most significant estimates in the consolidated financial statements are the valuation of assets in the merchandise trusts and perpetual care trusts, allowance for cancellations, unit-based compensation, merchandise liability, deferred sales revenue, deferred margin, deferred merchandise trust investment earnings, deferred obtaining costs, assets and liabilities obtained via business combinations and income taxes. Deferred sales revenue, deferred margin and deferred merchandise trust investment earnings are included in deferred cemetery revenues, net, on the consolidated balance sheet.

2. LONG-TERM ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Long-term accounts receivable, net, consisted of the following:

	As of December 31,	
	2014	2013
	(in thousands)	
Customer receivables	$ 194,537	$ 174,062
Unearned finance income	(20,360)	(20,005)
Allowance for contract cancellations	(22,138)	(20,275)
	152,039	133,782
Less: current portion net of allowance	62,503	55,415
Long-term portion net of allowance	$ 89,536	$ 78,367

Activity in the allowance for contract cancellations is as follows:

	For the Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Balance Beginning of period	$ 20,275	$ 17,933	$ 17,582
Provision for cancellations	20,870	20,069	16,768
Charge-offs net	(19,007)	(17,727)	(16,417)
Balance End of period	$ 22,138	$ 20,275	$ 17,933

The Company s customer receivables are considered financing receivables as they primarily relate to pre-need sales. These sales are usually made using interest-bearing installment contracts and result in interest income over the contract term. The interest income is recorded when the interest amount is considered realizable and collectible, which coincides with payment. Interest income is not recognized until payments are collected in accordance with the contract. At the time of a pre-need sale, the Company records an account receivable in an amount equal to the total contract value less unearned finance income and any cash deposit paid, net of an estimated allowance for customer cancellations. Contracts are usually for a period not to exceed 60 months. The Company has a standard contractual agreement that it executes related to these receivables and therefore the Company only has one portfolio segment of receivables with no separate classes of receivables within that segment. The customer receivables are pledged as collateral for certain of the Company s long-term borrowings.

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Management evaluates customer receivables for impairment on an individual contract basis based upon the age of the receivable and the customer s payment history. Since the Company s receivables primarily relate to pre-need sales, the Company has not performed the service or fulfilled all of its obligations for the merchandise to which the receivable relates. As a result, the Company can be flexible with customers that have difficulty making payments and the Company usually does not write-off a receivable until all possible collection efforts have been exhausted and when a write-off occurs, it is usually for the full remaining balance.

Since the Company has not yet provided consideration under the pre-need contracts, a payment term modification as described in the preceding paragraph is not deemed a concession since it is a better economic alternative than cancelling the contract or payment default. Similarly, due to the lack of loss exposure since the entity has not yet fulfilled its obligations, the Company defines the past due period as the time since a payment was received. Collection efforts and impairment analyses are focused on those receivables that are 90 days past due. As of December 31, 2014 and 2013, approximately 11% and 10%, respectively, of the Company s gross accounts receivable balance were 90 days past due.

The allowance for customer cancellations is established based on management s estimates of expected cancellations primarily from historical experiences, and is currently averaging approximately 10% of total contract values. Future cancellation rates may differ from this current estimate. Management 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 for the reporting periods presented.

3. CEMETERY PROPERTY

Cemetery property consists of the following:

	As of December 31,	
	2014	2013
	(in thousands)	
Developed land	$ 79,058	$ 72,458
Undeveloped land	172,238	163,997
Mausoleum crypts and lawn crypts	78,524	70,216
Other land	10,028	9,798
Total	$ 339,848	$ 316,469

4. PROPERTY AND EQUIPMENT

Major classes of property and equipment follow:

	As of December 31,	
	2014	2013
	(in thousands)	

Building and improvements	$ 108,178	$ 91,575
Furniture and equipment	49,290	44,828
	157,468	136,403
Less: accumulated depreciation	(57,077)	(51,396)
Property and equipment net	$ 100,391	$ 85,007

Depreciation expense was $8.9 million, $7.5 million and $7.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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5. MERCHANDISE TRUSTS

At December 31, 2014 and December 31, 2013, the Company s merchandise trusts consisted of the following types of assets:

Money Market Funds that invest in low risk short term securities;

Publicly traded mutual funds that invest in underlying debt securities;

Publicly traded mutual funds that invest in underlying equity securities;

Equity investments primarily in securities that are currently paying dividends or distributions. These investments include Master Limited Partnerships and global equity securities;

Fixed maturity debt securities issued by various corporate entities; and

Fixed maturity debt securities issued by U.S. states and local government agencies.

All of these investments are classified as Available for Sale as defined by the Investments in Debt and Equity topic of the ASC. Accordingly, all of the assets are carried at fair value. All of these investments are considered to be either Level 1 or Level 2 assets as defined by the Fair Value Measurements and Disclosures topic of the ASC. See Note 15 for further details. There were no Level 3 assets.

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

The Company has included $8.3 million of investments held in trust by the West Virginia Funeral Directors Association at December 31, 2014 and December 31, 2013, in its merchandise trust assets. As required by law, the Company deposits a portion of certain funeral merchandise sales in West Virginia into a trust that is held by the West Virginia Funeral Directors Association. These trusts are recorded at their account value, which approximates their fair value.

The cost and market value associated with the assets held in the merchandise trusts at December 31, 2014 and December 31, 2013 were as follows:

As of December 31, 2014	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		

Short-term investments	$ 52,521	$	$	$ 52,521
Fixed maturities:				
U.S. State and local government agency	270		(1)	269
Corporate debt securities	9,400	23	(447)	8,976
Other debt securities	7,157		(18)	7,139
Total fixed maturities	16,827	23	(466)	16,384
Mutual funds debt securities	150,477	869	(8,666)	142,680
Mutual funds equity securities	167,353	12,568	(463)	179,458
Equity securities	81,639	4,167	(5,507)	80,299
Other invested assets	5,400		(241)	5,159
Total managed investments	$ 474,217	$ 17,627	$ (15,343)	$ 476,501
West Virginia Trust Receivable	8,319			8,319
Total	$ 482,536	$ 17,627	$ (15,343)	$ 484,820

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As of December 31, 2013	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 46,518	$	$	$ 46,518
Fixed maturities:				
Corporate debt securities	9,105	162	(96)	9,171
Other debt securities	7,336		(12)	7,324
Total fixed maturities	16,441	162	(108)	16,495
Mutual funds debt securities	117,761	729	(7,157)	111,333
Mutual funds equity securities	144,249	16,610	(3,329)	157,530
Equity securities	81,520	5,267	(1,092)	85,695
Other invested assets	5,809		(86)	5,723
Total managed investments	$ 412,298	$ 22,768	$ (11,772)	$ 423,294
West Virginia Trust Receivable	8,262			8,262
Total	$ 420,560	$ 22,768	$ (11,772)	$ 431,556

The contractual maturities of debt securities as of December 31, 2014 and December 31, 2013 are presented below:

As of December 31, 2014	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
		(in thousands)		
U.S. State and local government agency	$	$ 71	$ 161	$ 37
Corporate debt securities	1	5,339	3,636	
Other debt securities	891	6,248		
Total fixed maturities	$ 892	$ 11,658	$ 3,797	$ 37

As of December 31, 2013	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
		(in thousands)		
Corporate debt securities	$	$ 4,332	$ 4,839	$
Other debt securities	2,150	5,174		
Total fixed maturities	$ 2,150	$ 9,506	$ 4,839	$

Temporary Declines in Fair Value

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

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An aging of unrealized losses on the Company s investments in fixed maturities and equity securities at December 31, 2014 and December 31, 2013 is presented below:

	Less than 12 months		12 Months or more		Total		Number of Securities in
As of December 31, 2014	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Loss Position**
	(in thousands, except number of securities data)						
Fixed maturities:							
U.S. State and local government agency	$ 143	$ 1	$	$	$ 143	$ 1	3
Corporate debt securities	5,905	342	1,506	105	7,411	447	58
Other debt securities	2,370	8	4,769	10	7,139	18	13
Total fixed maturities	8,418	351	6,275	115	14,693	466	74
Mutual funds debt securities	32,072	1,039	95,629	7,627	127,701	8,666	34
Mutual funds equity securities	4,147	463			4,147	463	2
Equity securities	44,563	4,641	3,909	866	48,472	5,507	60
Other invested assets			4,881	241	4,881	241	1
Total	$ 89,200	$ 6,494	$ 110,694	$ 8,849	$ 199,894	$ 15,343	171

	Less than 12 months		12 Months or more		Total		Number of Securities in
As of December 31, 2013	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Loss Position**
	(in thousands, except number of securities data)						
Fixed maturities:							
Corporate debt securities	$ 2,812	$ 43	$ 1,249	$ 53	$ 4,061	$ 96	29
Other debt securities	5,329	8	995	4	6,324	12	14
Total fixed maturities	8,141	51	2,244	57	10,385	108	43
Mutual funds debt securities	87,113	6,724	6,485	433	93,598	7,157	13
Mutual funds equity securities	29,993	2,444	4,217	885	34,210	3,329	2
Equity securities	25,379	1,031	1,492	61	26,871	1,092	33
Other invested assets	2,266	86			2,266	86	1
Total	$ 152,892	$ 10,336	$ 14,438	$ 1,436	$ 167,330	$ 11,772	92

There were 171 and 92 securities in an unrealized loss position in merchandise trusts as of December 31, 2014 and December 31, 2013, respectively, of which 39 and 19, respectively, were in an unrealized loss position for more than twelve months. For all securities in an unrealized loss position, the Company evaluated the severity of the impairment and length of time that a security has been in a loss position and has concluded the decline in fair value below the asset s cost was temporary in nature. In addition, the Company is not aware of any circumstances that would prevent the future market value recovery for these securities.

Other-Than-Temporary Impairment of Trust Assets

In accordance with ASC 320-10-65-1, the Company assesses whether an impairment is other-than-temporary by performing any of the following, as applicable:

Fixed Maturity Debt Securities

The Company assesses whether it has the intent to sell any impaired debt security; or

The Company assesses whether it is more likely than not it will be required to sell any impaired debt security before its anticipated recovery;

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If either of these conditions exists, the impairment is considered to be other than temporary;

The Company assesses whether or not there is a credit loss on an impaired security. A credit loss is the excess of the amortized cost of the security over the present value of future expected cash flows. If there is a credit loss, the Company recognizes an other-than-temporary impairment in earnings in an amount equal to the credit loss. This amount becomes the new cost basis of the asset and will not be adjusted for subsequent changes in the fair value of the asset;

The Company assesses the overall credit quality of each issue by evaluating its credit rating as reported by any credit rating agency. The Company also determines if there has been any downgrade in its creditworthiness as reported by such credit rating agency;

The Company determines if there has been any suspension of interest payments or any announcements of any intention to do so;

The Company evaluates the length of time until the principal becomes due and whether the ability to satisfy this payment has been impaired.

Equity Securities

The Company compares the proportional decline in value to the overall sector decline as measured via certain specific indices;

The Company determines whether there has been further periodic decline from prior periods or whether there has been a recovery in value.

For all securities

The Company evaluates the severity of the impairment and length of time that a security has been in a loss position;

The Company determines if there is any publicly available information that would cause the Company to believe that impairment is other than temporary in nature.

During the year ended December 31, 2014, the Company determined that there were 4 securities with an aggregate cost basis of approximately $0.9 million and an aggregate fair value of approximately $0.5 million, resulting in an impairment of $0.4 million, wherein such impairment was considered to be other-than-temporary. During the year ended December 31, 2013, the Company determined that there were 7 securities with an aggregate cost basis of approximately $2.6 million and an aggregate fair value of approximately $1.6 million, resulting in an impairment of $1.0 million, wherein such impairment was considered to be other-than-temporary. Accordingly, the Company adjusted the cost basis of these assets to their current value and offset this change against deferred revenue. This

reduction in deferred revenue will be reflected in earnings in future periods as the underlying merchandise is delivered or the underlying service is performed.

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A reconciliation of the Company s merchandise trust activities for the years ended December 31, 2014 and December 31, 2013 is presented below:

Year ended December 31, 2014

Fair Value at 12/31/2013	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss	Taxes	Fees	Unrealized Change in Fair Value	Fair Value at 12/31/2014
				(in thousands)					
$431,556	87,271	(57,788)	21,827	1,242	14,857	(2,543)	(2,890)	(8,712)	$ 484,820

Year ended December 31, 2013

Fair Value at 12/31/2012	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss	Taxes	Fees	Unrealized Change in Fair Value	Fair Value at 12/31/2013
				(in thousands)					
$375,973	68,305	(55,891)	18,176		19,502	(2,986)	(2,887)	10,396	$ 431,556

The Company made net contributions into the trusts of approximately $29.5 million and $12.4 million during the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, purchases and sales of securities available for sale included in trust investments were approximately $430.5 million and $440.8 million, respectively. During the year ended December 31, 2013, purchases and sales of securities available for sale included in trust investments were approximately $536.2 million and $540 million, respectively. Contributions include $34.2 million and $10.3 million of assets that were acquired through acquisitions during the years ended December 31, 2014 and 2013, respectively.

6. PERPETUAL CARE TRUSTS

At December 31, 2014 and December 31, 2013, the Company s perpetual care trusts consisted of the following types of assets:

Money Market Funds that invest in low risk short term securities;

Publicly traded mutual funds that invest in underlying debt securities;

Publicly traded mutual funds that invest in underlying equity securities;

Equity investments that are currently paying dividends or distributions. These investments include Master Limited Partnerships and global equity securities;

Fixed maturity debt securities issued by various corporate entities;

Fixed maturity debt securities issued by the U.S. Government and U.S. Government agencies; and

Fixed maturity debt securities issued by U.S. states and local government agencies.

All of these investments are classified as Available for Sale as defined by the Investments in Debt and Equity topic of the ASC. Accordingly, all of the assets are carried at fair value. All of these investments are considered to be either Level 1 or Level 2 assets as defined by the Fair Value Measurements and Disclosures topic of the ASC. See Note 15 for further details. There were no Level 3 assets.

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The cost and market value associated with the assets held in the perpetual care trusts at December 31, 2014 and December 31, 2013 were as follows:

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

As of December 31, 2013	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 16,686	$	$	$ 16,686
Fixed maturities:				
U.S. Government and federal agency	302	70		372
Corporate debt securities	24,378	340	(208)	24,510
Other debt securities	371			371
Total fixed maturities	25,051	410	(208)	25,253
Mutual funds debt securities	121,493	466	(5,946)	116,013
Mutual funds equity securities	93,243	22,521	(171)	115,593
Equity securities	25,580	12,283	(19)	37,844
Other invested assets	172	210		382
Total	$ 282,225	$ 35,890	$ (6,344)	$ 311,771

The contractual maturities of debt securities as of December 31, 2014 and December 31, 2013 were as follows:

As of December 31, 2014	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
		(in thousands)		
U.S. Government and federal agency	$	$ 116	$	$
U.S. State and local government agency	79			
Corporate debt securities	627	14,548	8,258	33
Other debt securities	371			
Total fixed maturities	$ 1,077	$ 14,664	$ 8,258	$ 33

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As of December 31, 2013	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
		(in thousands)		
U.S. Government and federal agency	$ 253	$ 119	$	$
Corporate debt securities	115	11,943	12,451	1
Other debt securities	371			
Total fixed maturities	$ 739	$ 12,062	$ 12,451	$ 1

Temporary Declines in Fair Value

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

An aging of unrealized losses on the Company s investments in fixed maturities and equity securities at December 31, 2014 and December 31, 2013 is presented below:

As of December 31, 2014	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 Months or more Fair Value	12 Months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses	Number of Securities in Loss Position
			(in thousands, except number of securities data)				
Fixed maturities:							
Corporate debt securities	$ 14,434	$ 798	$ 2,519	$ 115	$ 16,953	$ 913	83
Total fixed maturities	14,434	798	2,519	115	16,953	913	83
Mutual funds debt securities	30,345	768	86,814	4,452	117,159	5,220	31
Mutual funds equity securities	13,035	1,268			13,035	1,268	5
Equity securities	3,866	245	620	2	4,486	247	29
Total	$ 61,680	$ 3,079	$ 89,953	$ 4,569	$ 151,633	$ 7,648	148

As of December 31, 2013	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 Months or more Fair Value	12 Months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses	Number of Securities in Loss Position
			(in thousands, except number of securities data)				
Fixed maturities:							
Corporate debt securities	$ 5,664	$ 93	$ 3,122	$ 115	$ 8,786	$ 208	29
Total fixed maturities	5,664	93	3,122	115	8,786	208	29

Mutual funds debt securities	93,473	4,781	16,367	1,165	109,840	5,946	13
Mutual funds equity securities	1,185	171			1,185	171	1
Equity securities	513	19			513	19	3
Total	$ 100,835	$ 5,064	$ 19,489	$ 1,280	$ 120,324	$ 6,344	46

There were 148 and 46 securities in an unrealized loss position in perpetual care trusts as of December 31, 2014 and December 31, 2013, respectively, of which 20 and 13, respectively, were in an unrealized loss position for more than twelve months. For all securities in an unrealized loss position, the Company evaluated the severity of the impairment and length of time that a security has been in a loss position and has concluded the decline in fair value below the asset s cost was temporary in nature. In addition, the Company is not aware of any circumstances that would prevent the future market value recovery for these securities.

Other-Than-Temporary Impairment of Trust Assets

Refer to Note 5 for a detailed discussion of the accounting rules related to other-than-temporarily impaired assets and the Company s procedures for evaluating whether impairment to assets is other than temporary.

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During the year ended December 31, 2014, the Company determined that there were 4 securities with an aggregate cost basis of approximately $1.4 million and an aggregate fair value of approximately $0.8 million, resulting in an impairment of $0.6 million, wherein such impairment was considered to be other-than-temporary. Accordingly, the Company adjusted the cost basis of these assets to their current value and offset this change against the liability for perpetual care trust corpus.

During the year ended December 31, 2013, the Company determined that there were no other than temporary impairments to the investment portfolio in the perpetual care trusts.

A reconciliation of the Company s perpetual care trust activities for the years ended December 31, 2014 and 2013 is presented below:

Year ended December 31, 2014

Fair Value at 12/31/2013	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss	Taxes	Fees	Unrealized Change in Fair Value	Fair Value at 12/31/2014
				(in thousands)					
$311,771	34,332	(14,308)	15,044	125	(164)	(654)	(2,054)	1,013	$ 345,105

Year ended December 31, 2013

Fair Value at 12/31/2012	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss	Taxes	Fees	Unrealized Change in Fair Value	Fair Value at 12/31/2013
				(in thousands)					
$282,313	11,000	(13,176)	15,699		4,725	(739)	(2,230)	14,179	$ 311,771

The Company made net contributions into the trust of approximately $20.0 million during the year ended December 31, 2014 and net withdrawals out of the trust of approximately $2.2 million during the year ended December 31, 2013. During the year ended December 31, 2014, purchases and sales of securities available for sale included in trust investments were approximately $157.5 million and $165.7 million, respectively. During the year ended December 31, 2013, purchases and sales of securities available for sale included in trust investments were approximately $114.6 million and $110.8 million, respectively. Contributions include $17.6 million and $5.9 million of assets that were acquired through acquisitions during the years ended December 31, 2014 and 2013, respectively.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company has recorded goodwill of approximately $58.8 million and $48.7 million as of December 31, 2014 and 2013, respectively. This amount represents the excess of the purchase price over the fair value of identifiable net assets acquired in acquisitions. See Note 13 for further details.

A rollforward of goodwill by reportable segment is as follows:

	Cemeteries				
	Southeast	Northeast	West	Funeral Homes	Total
			(in thousands)		
Balance as of January 1, 2013	$ 6,174	$	$ 11,948	$ 24,270	$ 42,392
Goodwill acquired from acquisitions during 2013				6,345	6,345
Balance as of December 31, 2013	6,174		11,948	30,615	48,737
Goodwill acquired from acquisitions during 2014	2,776	3,288		4,035	10,099
Balance as of December 31, 2014	$ 8,950	$ 3,288	$ 11,948	$ 34,650	$ 58,836

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The Company evaluates the carrying value of goodwill during the fourth quarter of each year or more frequently if events and circumstances indicate that the asset may have been impaired. No impairment of the Company s goodwill has been identified during the years ended December 31, 2014, 2013 or 2012.

Other Acquired Intangible Assets

The Company has other acquired intangible assets, most of which have been recognized as a result of acquisitions and long-term lease, management and operating agreements. All of the intangible assets are amortized as a component of depreciation and amortization in the consolidated statement of operations. The major classes of intangible assets are as follows:

	As of December 31, 2014			As of December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset
	(in thousands)					
Amortized intangible assets:						
Lease and management agreements	$ 59,758	$ (581)	$ 59,177	$	$	$
Underlying contract value	6,239	(858)	5,381	6,239	(702)	5,537
Non-compete agreements	5,250	(2,126)	3,124	7,950	(4,003)	3,947
Other intangible assets	1,439	(131)	1,308	269	(98)	171
Total intangible assets	$ 72,686	$ (3,696)	$ 68,990	$ 14,458	$ (4,803)	$ 9,655

Lease and Management Agreements

On May 28, 2014, the Company and the Archdiocese of Philadelphia closed a transaction involving a lease agreement and a management agreement, pursuant to which the Company will operate 13 cemeteries in Pennsylvania for a term of 60 years, subject to certain termination provisions. Refer to Note 13 for a detailed discussion of this transaction. The Company recorded the underlying value of the lease and management agreements as a contract-based intangible asset at the present value of the consideration, less the fair value of net assets acquired. The discounted value will be amortized over the term of the agreements and was determined using an effective annual rate of 8.3%, which represents an estimate of the return an investor would require to make this type of investment in the Company over the rent payment period. The costs associated with obtaining the rights pursuant to these agreements were also capitalized and will be amortized over the life of the agreements.

Underlying Contract Value of Long-Term Operating Agreements

The Company entered into two long-term operating agreements during 2009, wherein it became the exclusive operator of cemetery properties. These long-term operating agreements did not qualify for acquisition accounting. The fair value of the consideration paid and liabilities assumed to enter into the operating agreements exceeded the fair value of assets acquired by approximately $6.2 million. This amount, which represents the underlying contract values, has been recorded as an intangible asset and is being amortized on the straight-line basis over the expected life of the contracts, which is 40 years.

Non-Compete Agreements

In connection with certain acquisitions entered into in 2014, 2013, 2012, 2011 and 2010, the Company entered into non-compete agreements with the former owners of the acquired entities (See Note 13 for further details). The non-compete agreements were valued in purchase accounting at a fair value of approximately $5.3 million. The fair value was determined by comparing the discounted cash flows of the acquired business with and without competition as of the date of acquisition. The non-compete agreements are being amortized on the straight-line basis over the life of the agreements, which is 4 to 6 years.

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Other Intangible Assets

Relating to its second quarter 2014 acquisition, the Company recorded an intangible asset of $1.2 million for a favorable interest in a lease at one of the acquired North Carolina funeral home businesses. This asset will be amortized over the full remaining term of the lease agreement, which is approximately thirty-six years, with renewals. The remaining gross carrying amount of $0.2 million pertains to naming rights, which are being amortized over the term of twenty years.

Compared to $2.1 million for the year ended December 31, 2014, amortization expense related to intangible assets with definite lives is estimated to be the following for each of the next five years:

For the Year Ending December 31,	Amortization Expense (in thousands)
2015	$ 2,170
2016	2,099
2017	1,875
2018	1,626
2019	$ 1,359

8. LONG-TERM DEBT

The Company had the following outstanding debt:

	As of December 31, 2014	2013
	(in thousands)	
7.875% Senior Notes, due June 2021	$ 175,000	$ 175,000
Credit Facility, due December 2019:		
Working Capital Draws	85,902	114,002
Acquisition Draws	25,000	
Notes payable acquisition debt	861	1,571
Notes payable acquisition non-competes	2,765	3,945
Insurance and vehicle financing	1,632	1,529
Total	291,160	296,047
Less current portion	2,251	2,916
Less unamortized bond and note payable discounts	3,531	4,115
Long-term portion	$ 285,378	$ 289,016

7.875% Senior Notes due 2021

Purchase Agreement

On May 16, 2013, the Company, Cornerstone Family Services of West Virginia Subsidiary, Inc., a wholly owned subsidiary of the Company (Cornerstone Co. and together with the Company, the Issuers), and certain subsidiary guarantors (the Guarantors) entered into a Purchase Agreement (the Purchase Agreement) with Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting on behalf of itself and as the representative for the other initial purchasers named in the Purchase Agreement (collectively, the Initial Purchasers). Pursuant to the Purchase Agreement, the Issuers, as joint and several obligors, agreed to sell to the Initial Purchasers $175.0 million aggregate principal amount of 7.875% Senior Notes due 2021 (the Senior Notes), with an original issue discount of approximately $3.8 million, in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the Securities Act), for resale by the Initial Purchasers (i) to qualified institutional buyers pursuant to Rule 144A under the Securities Act or (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act (the Notes Offering). The Notes Offering closed on May 28, 2013.

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The Purchase Agreement contains customary representations and warranties of the parties and indemnification and contribution provisions under which the Issuers and the Guarantors, on one hand, and the Initial Purchasers, on the other, have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

The net proceeds from the Notes Offering were used to retire a $150.0 million aggregate principal amount of 10.25% Senior Notes due 2017 (the Prior Senior Notes), as described below, and the remaining proceeds were used for general corporate purposes. The Senior Notes were issued at 97.832% of par resulting in gross proceeds of $171.2 million with an original issue discount of approximately $3.8 million. The Company 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 are valued using Level 2 inputs as defined by the Fair Value Measurements and Disclosures topic of the ASC in Note 15. Based on trades made on December 31, 2014, the Company has estimated the fair value of its Senior Notes to be in excess of par and trading at a premium of 4.125%, which would imply a fair value of $182.2 million, at December 31, 2014.

Indenture

On May 28, 2013, the Issuers, the Guarantors, and Wilmington Trust, National Association, as successor trustee by merger to Wilmington Trust FSB (the Trustee), entered into an indenture (the Indenture) governing the Senior Notes.

The Issuers 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, commencing on December 1, 2013. The Senior Notes mature on June 1, 2021.

The Senior Notes are senior unsecured obligations of the Issuers that:

- rank equally in right of payment with all existing and future senior debt of the Issuers;
- rank senior in right of payment to all existing and future senior subordinated and subordinated debt of the Issuers;
- are effectively subordinated in right of payment to existing and future secured debt of the Issuers, to the extent of the value of the assets securing such debt; and
- are structurally subordinated to all of the existing and future liabilities of each subsidiary of the Issuers that does not guarantee the Senior Notes.

The Issuers obligations under the Senior Notes and the Indenture are jointly and severally guaranteed (the Note Guarantees) by each subsidiary of the Company other than Cornerstone Co., that the Company has caused or will cause to become a Guarantor pursuant to the terms of the Indenture (each, a Restricted Subsidiary).

At any time on or after June 1, 2016, the Issuers, at their option, 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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At any time prior to June 1, 2016, the Issuers may, on one or more occasions, redeem all or any portion of the Senior Notes, upon not less than 30 nor more than 60 days notice, 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) as of the redemption date, including accrued and unpaid interest to the redemption date.

In addition, at any time prior to June 1, 2016, the Issuers, at their option, may redeem up to 35% of the aggregate principal amount of the Senior Notes issued under the Indenture with the net cash proceeds of certain equity offerings of the Company described in the Indenture at a redemption price equal to 107.875% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date provided, however, that (i) at least 65% of the aggregate principal amount of the Senior Notes issued under the Indenture remain outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 180 days of the closing date of such offering.

Subject to certain exceptions, upon the occurrence of a Change of Control (as defined in the Indenture), each holder of the Senior Notes will have the right to require the Issuers 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 to the date of purchase.

The Indenture requires the Issuers and/or the Guarantors, as applicable, to comply with various covenants including, but not limited to, covenants that, subject to certain exceptions, limit the Company s and its Restricted Subsidiaries ability to (i) incur additional indebtedness; (ii) make certain dividends, distributions, redemptions or investments; (iii) enter into certain transactions with affiliates; (iv) create, incur, assume or permit to exist certain liens against their assets; (v) make certain sales of their assets; and (vi) engage in certain mergers, consolidations or sales of all or substantially all of their assets. The Indenture also contains various affirmative covenants regarding, among other things, delivery of certain reports filed with the SEC and materials required pursuant to Rule 144A under the Securities Act to holders of the Senior Notes and joinder of future subsidiaries as Guarantors under the Indenture. As of December 31, 2014, the Company was in compliance with all applicable covenants under the Indenture.

Events of default under the Indenture that could, subject to certain conditions, cause all amounts owing under the Senior Notes to become immediately due and payable include, but are not limited to, the following:

- failure by the Issuers to pay interest on any of the Senior Notes when it becomes due and the continuance of any such failure for 30 days;

- failure by the Issuers to pay the principal on any of the Senior Notes when it becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise;

- the Issuers failure to comply with the agreements and covenants relating to limitations on entering into certain mergers, consolidations or sales of all or substantially all of their assets or in respect of their obligations to purchase the Senior Notes in connection with a Change of Control;

- failure by the Issuers to comply with any other agreement or covenant in the Indenture and the continuance of this failure for 60 days after notice of the failure has been given to the Company by the Trustee or holders of at least 25% of the aggregate principal amount of the Senior Notes then outstanding;

failure by the Company to comply with its covenant to deliver certain reports and the continuance of such failure to comply for a period of 120 days after written notice thereof has been given to the Company by the Trustee or by the holders of at least 25% in aggregate principal amount of the Senior Notes then outstanding;

certain defaults under mortgages, indentures or other instruments or agreements under which there may be issued or by which there may be secured or evidenced indebtedness of the Company or any Restricted Subsidiary, whether such indebtedness now exists or is incurred after the date of the Indenture;

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certain judgments or orders that exceed $10.0 million in the aggregate for the payment of money have been entered by a court of competent jurisdiction against the Company or any Restricted Subsidiary and such judgments have not been satisfied, stayed, annulled or rescinded within 60 days of being entered;

certain events of bankruptcy of the Company, StoneMor GP LLC, the general partner of the Company (the General Partner), or any Significant Subsidiary (as defined in the Indenture); or

other than in accordance with the terms of the Note Guarantee and the Indenture, the Note Guarantee of any Significant Subsidiary ceasing to be in full force and effect, being declared null and void and unenforceable, found to be invalid or any Guarantor denying its liability under its Note Guarantee.

10.25% Senior Notes due 2017

Prior to their retirement in the second quarter of 2013, the Company had outstanding a $150.0 million aggregate principal amount of Prior Senior Notes, with an original issue discount of approximately $4.0 million. The Company paid 10.25% interest per annum on the principal amount of the Prior Senior Notes, payable in cash semi-annually in arrears on June 1 and December 1 of each year. The Prior Senior Notes were due to mature on December 1, 2017. In the second quarter of 2013, the Company retired the notes using the proceeds from the Senior Notes offering described above.

On May 13, 2013, StoneMor Operating LLC (the Operating Company), Cornerstone Co. and Osiris Holding of Maryland Subsidiary, Inc. (Osiris Co. , and together with the Operating Company and Cornerstone Co., the Prior Senior Notes Issuers), each of which is a subsidiary of the Company, commenced (i) cash tender offer to purchase any and all of their outstanding $150.0 million aggregate principal amount of the Prior Senior Notes and (ii) consent solicitation to obtain consents to amendments to the Indenture dated as of November 24, 2009, as amended (the 2009 Indenture), governing the Prior Senior Notes. Upon the expiration of the consent solicitation on May 24, 2013, the Prior Senior Notes Issuers received tenders and consents from the holders of approximately $132.2 million in aggregate principal amount, or approximately 88.1%, of the outstanding Prior Senior Notes.

In connection with the expiration of the consent solicitation, on May 24, 2013, Prior Senior Notes Issuers, the Company, the Guarantors named in the 2009 Indenture and the Trustee, entered into the Seventh Supplemental Indenture to the 2009 Indenture. The Seventh Supplemental Indenture amended the 2009 Indenture to shorten to three business days the minimum notice period for optional redemptions and eliminated substantially all of the restrictive covenants and certain events of default contained in the 2009 Indenture.

On June 14, 2013, the remaining Prior Senior Notes were redeemed, pursuant to redemption provisions set forth in the 2009 Indenture, at a price of 100% of the principal amount of the Prior Senior Notes, plus the Applicable Premium (as defined in the 2009 Indenture) equal to 9.554%, together with accrued and unpaid interest to, but not including, June 14, 2013. The 2009 Indenture was satisfied and discharged in accordance with its terms, effective June 14, 2013.

The Company paid $14.9 million to retire the Prior Senior Notes inclusive of the tender premium and accrued interest from the date of repurchase through December 1, 2013, the first redemption date for the Prior Senior Notes. In addition, the Company incurred expenses of $6.7 million related to the refinancing event inclusive of $2.6 million of unamortized original issue discount and $4.1 million of unamortized capitalized debt issue costs related to the Prior Senior Notes.

Credit Facility

On April 29, 2011, the Company replaced its Amended and Restated Credit Agreement (the Original Credit Agreement) with the Second Amended and Restated Credit Agreement (the Second Credit Agreement)

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among the Operating Company as the Borrower, each of the subsidiaries of the Operating Company as additional Borrowers, the General Partner and the Company as Guarantors, the Lenders identified therein, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. The terms of the Second Credit Agreement were substantially the same as the terms of the Original Credit Agreement, as amended. The primary purpose of entering into the Second Credit Agreement was to consolidate the amendments to the Original Credit Agreement and to update outdated references. The Second Credit Agreement provided for an Acquisition Credit Facility of $65.0 million and a Revolving Credit Facility of $55.0 million. The Second Credit Agreement was further amended two times prior to January 19, 2012.

On January 19, 2012, the Company entered into the Third Amended and Restated Credit Agreement (the Third Credit Agreement). The terms of the Third Credit Agreement were substantially the same as the terms of the Second Credit Agreement, as amended. The Third Credit Agreement consolidated the Acquisition Credit Facility and the Revolving Credit Facility into a single revolving credit facility with a borrowing limit of $130.0 million.

The Third Credit Agreement was amended four times prior to December 19, 2014, to, among other things, amend borrowing levels, interest rates and covenants, and to allow additional indebtedness in connection with the Senior Notes issuance. On May 22, 2014, the Company entered into the Fourth Amendment to the Credit Agreement. The Fourth Amendment increased the maximum Consolidated Leverage Ratio to 4.00 to 1.0 for any period and amended the definition of Consolidated EBITDA to, among other things, remove existing balance sheet adjustments and replace them with certain cash flow statement adjustments. The Fourth Amendment also contained certain conforming changes to reflect the Lenders consent to the closing of the transactions with the Archdiocese of Philadelphia and Service Corporation International, both of which took place in the second quarter of 2014 and are described in detail in Note 13.

On December 19, 2014, the Partnership entered into the Fourth Amended and Restated Credit Agreement (the Credit Agreement) among StoneMor Operating LLC as a Borrower (the Operating Company), each of the subsidiaries of the Operating Company as additional Borrowers (together with the Operating Company, the Borrowers), StoneMor GP LLC, the general partner of the Partnership, and the Partnership as Guarantors, the Lenders identified therein, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. In addition, on the same date, the Borrowers, the Guarantors and Bank of America, N.A. entered into the Second Amended and Restated Security Agreement (the Security Agreement) and the Second Amended and Restated Pledge Agreement (the Pledge Agreement , and together with the Credit Agreement and the Security Agreement, the New Agreements).

The New Agreements replaced the Partnership s Third Amended and Restated Credit Agreement, dated January 19, 2012, as amended (the Prior Credit Agreement), Amended and Restated Security Agreement, dated April 29, 2011, as amended, and Amended and Restated Pledge Agreement, dated April 29, 2011, as amended (collectively, the Prior Agreements). The primary purposes of entering into the New Agreements were to consolidate the amendments to the Prior Agreements into the New Agreements, increase the aggregate principal amount of permitted borrowings under the Credit Agreement and modify the mechanics of the revolving credit facility to provide for Acquisition Draws and Working Capital Draws.

The Credit Agreement provides for a single revolving credit facility of $180.0 million (the Credit Facility) maturing on December 19, 2019. Additionally the Credit Agreement provides for an uncommitted ability to increase the Credit Facility by an additional $70.0 million. The summary of the material terms of the New Agreements is set forth below. Capitalized terms, which are not defined in the following description, shall have the meaning assigned to such terms in the New Agreements.

At December 31, 2014, amounts outstanding under the Credit Facility bore interest at rates between 3.5% and 5.5%. The interest rates on the Credit Facility are calculated as follows:

For Eurodollar Rate Loans, the outstanding principal amount thereof bears interest for each Interest Period at a rate per annum equal to the Eurodollar Rate for the Interest Period plus the Applicable Rate for Eurodollar Rate Loans; and

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For Base Rate Loans and Swing Line Loans, the outstanding principal amount thereof bears interest from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate for Base Rate Loans.

In addition, the Borrowers must pay a Letter of Credit Fee for each Letter of Credit equal to the Applicable Rate for Letter of Credit Fees times the daily amount to be drawn under such Letter of Credit. The Applicable Rate is determined based on the Consolidated Leverage Ratio of the Partnership and its Subsidiaries, and ranges from 2.25% to 4.00% for Eurodollar Rate Loans and Letter of Credit Fees, and 1.25% to 3.00% for Base Rate Loans. The current Applicable Rate for each of: (i) Eurodollar Rate Loans and Letter of Credit Fees is 3.25% and (ii) Base Rate Loans is 2.25% based on the current Consolidated Leverage Ratio. The Credit Agreement also requires the Borrowers to pay a quarterly unused commitment fee, which is calculated based on the amount by which the commitments under the Credit Agreement exceed the usage of such commitments.

The Credit Agreement contains financial covenants, pursuant to which the Borrowers and the Guarantors will not permit:

Consolidated EBITDA for any Measurement Period to be less than the sum of (i) $80.0 million plus (ii) 80% of the aggregate of all Consolidated EBITDA for each Permitted Acquisition completed after June 30, 2014;

the Consolidated Debt Service Coverage Ratio to be less than 2.50 to 1.0 for any Measurement Period; and

the Consolidated Leverage Ratio to be greater than 4.00 to 1.0 for any period.

The covenants include, among other limitations, limitations on: (i) liens, (ii) the creation or incurrence of debt, (iii) investments and acquisitions, (iv) dispositions of property, (v) dividends, distributions and redemptions, and (vi) transactions with Affiliates.

The Credit Agreement provides that two types of draws are permitted with respect to the Credit Facility: Acquisition Draws and Working Capital Draws. The proceeds of Acquisition Draws may be utilized by the Borrowers to finance Permitted Acquisitions, the purchase and construction of mausoleums and related costs or the net amount of Merchandise Trust deposits made after the Closing Date under the Credit Agreement, irrespective of whether such amounts relate to new or existing cemeteries or funeral homes. The proceeds of Working Capital Draws, Letters of Credit and Swing Line Loans may be utilized by the Borrowers to finance working capital requirements, Capital Expenditures and for other general corporate purposes. The borrowing of Working Capital Advances is subject to a borrowing formula of 85% of Eligible Receivables. This limit was $128.6 million at December 31, 2014.

Each Acquisition Draw is subject to equal quarterly amortization of the principal amount of such draw, with annual principal payments comprised of ten percent (10%) of the related draw amount, commencing on the second anniversary of such draw, with the remaining principal due on the Maturity Date, subject to certain mandatory prepayment requirements. Working Capital Draws are due on the Maturity Date, subject to certain mandatory prepayment requirements.

The Borrowers obligations under the Credit Agreement are guaranteed by both the Partnership and StoneMor GP LLC.

Pursuant to the Security Agreement and the Pledge Agreement, the Borrowers obligations under the Credit Facility are secured by a first priority lien and security interest in substantially all of the Borrowers assets, whether then owned or thereafter acquired, excluding: (i) trust accounts, certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts; (ii) StoneMor GP LLC s interest in the Partnership, the incentive distribution rights under the Partnership s partnership agreement and the deposit accounts of StoneMor GP LLC into which distributions are received; (iii) Equipment subject to a purchase

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money security interest or equipment lease permitted under the Credit Agreement and certain other contract rights under which contractual, legal or other restrictions on assignment would prohibit the creation of a security interest or such creation of a security interest would result in a default thereunder.

Events of Default under the Credit Agreement include, but are not limited to, the following:

- non-payment of any principal, interest or other amounts due under the Credit Agreement or any other Credit Document;

- failure to observe or perform any covenants related to: (i) the delivery of financial statements, compliance certificates, reports and other information; (ii) providing prompt notice of Defaults and other events; (iii) the preservation of the legal existence and good standing of each Borrower and Guarantor; (iv) the ability of the Administrative Agent and each Lender to visit and inspect properties, examine books and records, and discuss financial and business affairs with directors, officers and independent public accountants of each Borrower and Guarantor; (v) restrictions on the use of proceeds; (vi) guarantees by new Subsidiaries; (vii) the maintenance of corporate formalities for each Borrower and Guarantor; (viii) the maintenance of Trust Accounts and Trust Funds; and (ix) any of the negative covenants or financial covenants contained in the Credit Agreement;

- failure to observe or perform any other covenant, if uncured 30 days after notice thereof is provided by the Administrative Agent or Lenders;

- any default under any other Indebtedness of the Borrowers or Guarantors;

- any insolvency proceedings by a Borrower or Guarantor;

- the insolvency of any Borrower or Guarantor, or a writ of attachment or execution or similar process issuing or being levied against any material part of the property of a Borrower or Guarantor; and

- any Change in Control.

The New Agreements also include various representations, warranties and covenants and indemnification provisions customary for transactions of this nature.

Some of the Lenders and their respective affiliates have acted as lenders under the Prior Credit Agreement and engaged in, and may in the future engage in, investment banking and other commercial dealings with the Partnership and its affiliates for which they have received, and will receive, customary fees and expenses.

The Credit Facility approximates fair value as it consists of multiple current LIBOR borrowings with maturities of 90 days or less, with amounts that can be rolled-over or reborrowed at market rates. It is valued using Level 2 inputs.

As of December 31, 2014, there were $110.9 million of outstanding borrowings under the Credit Facility. The carrying amount of the debt approximates its fair value. At December 31, 2014, the Consolidated Leverage Ratio and the Consolidated Debt Service Coverage Ratio were 3.02 and 4.63, respectively. As of December 31, 2014, the Company complied with all applicable financial covenants.

The Company routinely incurs debt financing costs and fees when borrowing under, or making amendments to, the Credit Facility. These costs and fees are deferred and are amortized over the life of the Credit Facility.

Notes Payable Acquisitions

In July of 2009, certain of the Company s subsidiaries entered into a $1.4 million note purchase agreement in connection with an operating agreement in which the Company became the exclusive operator of Green Lawn Cemetery (the Green Lawn Note). The Green Lawn Note bears interest at a rate of 6.5% per year on unpaid principal and is payable monthly, beginning on August 1, 2009. Principal on the note is due in 96 equal

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installments beginning on July 1, 2011. At December 31, 2014 and 2013, the liability related to the installment note was stated on the Company s consolidated balance sheet at approximately $0.9 million and $1.0 million, respectively.

In June of 2010, certain of the Company s subsidiaries issued two installment notes in connection with the second quarter acquisition (the Nelms Notes). The installment notes did not have a stated rate of interest. The Company recorded the installment notes at their fair market value of approximately $2.6 million. The face amounts of the Nelms Notes were discounted approximately $0.7 million, and the discount was amortized to interest expense over the life of the installment notes. The notes bore 10.25% interest per annum on the portion of the outstanding balance after the maturity date or while there existed any uncured event of default or the exercise by lender of any remedies following the occurrence and during the continuance of any event of default. At December 31, 2013, the liability related to the Nelms Notes was stated on the Company s consolidated balance sheet at approximately $0.1 million. The Nelms Notes were paid over a 4 year period and matured on April 1, 2014.

In February 2013, certain of the Company s subsidiaries issued an unsecured promissory note in the principal amount of $3.0 million in connection with the first quarter 2013 acquisition discussed in Note 13. The promissory note bore interest at a rate of 5% and any unpaid balance was due 12 months from closing. At December 31, 2013, the liability related to this promissory note was stated on the Company s consolidated balance sheet at approximately $0.5 million. The promissory note was paid off during the first quarter of 2014.

The carrying amounts of the notes payable approximate their fair value.

Acquisition Non-Compete Notes

In connection with several of the Company s 2013, 2012, 2011 and 2010 acquisitions, certain of the Company s subsidiaries issued installment notes in consideration for non-compete agreements executed with the former owners of the acquired entities. The installment notes have varying payment terms and mature between April 1, 2014 and February 19, 2019. The installment notes do not have a stated rate of interest. At inception, the Company recorded the installment notes at their fair market value of approximately $4.0 million. The face amounts of the installment notes were discounted approximately $0.9 million, and the discount is being amortized to interest expense over the life of the installment notes. At December 31, 2014 and 2013, the liability related to the installment notes, net of discounts, was stated on the Company s consolidated balance sheet at approximately $2.5 million and $3.4 million, respectively. The carrying amounts of the installment notes approximate their fair value.

9. INCOME TAXES

Effective with the closing of the Partnership s initial public offering on September 20, 2004 (see Note 1), the Company was no longer a taxable entity for federal and state income tax purposes; rather, the Partnership s tax attributes, except those of its corporate subsidiaries, are to be included in the individual tax returns of its partners.

The tax on the Company s net income is borne by its general and limited partners. Net income for financial statement purposes may differ significantly from the taxable income of such partners as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the partnership agreement. The aggregate difference in the basis of the Company s net assets for financial and tax reporting purposes cannot be readily determined because information regarding each partner s tax attributes is not available to the Company.

The Partnership s corporate subsidiaries account for their income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

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Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The tax returns of the Partnership are subject to examination by state and federal tax authorities. If such examinations result in changes to taxable income, the tax liability of the partners could be changed accordingly.

Components of the income tax expense (benefit) applicable to continuing operations for federal, state and foreign taxes are as follows:

	Years ended December 31,		
	2014	2013	2012
	(in thousands)		
Current provision:			
State	$ 869	$ 685	$ 616
Federal			(8)
Foreign	302	(125)	
Total	1,171	560	608
Deferred provision:			
State	313	292	(196)
Federal	2,429	(3,156)	(2,202)
Total	2,742	(2,864)	(2,398)
Total income tax expense (benefit)	$ 3,913	$ (2,304)	$ (1,790)

The difference between the statutory federal income tax and the Company s effective income tax is summarized as follows:

	Years ended December 31,		
	2014	2013	2012
	(in thousands)		
Computed tax provision (benefit) at the applicable statutory tax rate	$ (2,401)	$ (7,468)	$ (1,681)
State and local taxes net of federal income tax benefit	1,069	464	400
Tax exempt (income) loss	1,031	1,542	697
Change in valuation allowance	10,855	9,203	3,857
Partnership earnings not subject to tax	(6,628)	(2,540)	(5,088)
Permanent differences	(62)	(3,337)	25
Other	49	(168)	
Income tax expense (benefit)	$ 3,913	$ (2,304)	$ (1,790)

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Deferred tax assets and liabilities result from the following:

	As of December 31, 2014	2013
	(in thousands)	
Deferred tax assets:		
Prepaid expenses	$ 5,373	$ 4,452
State net operating loss	13,015	11,483
Federal net operating loss	78,084	68,008
Alternative minimum tax credit	82	77
Unrealized losses (gains)	(913)	(4,398)
Valuation allowance	(57,148)	(43,027)
Total deferred tax assets	38,493	36,595
Deferred tax liabilities:		
Property, plant and equipment	8,058	5,565
Deferred revenue related to future revenues and accounts receivable	39,164	34,100
Deferred revenue related to cemetery property	8,939	9,295
Total deferred tax liabilities	56,161	48,960
Net deferred tax liabilities	$ 17,668	$ 12,365

At December 31, 2014, the Company had available approximately less than $0.2 million of alternative minimum tax credit carryforwards, which are available indefinitely, and $223.1 million of federal net operating loss carryforwards, which will begin to expire in 2017 and $272.0 million in state net operating loss carryforwards, a portion of which expires annually.

Management periodically evaluates all evidence, both positive and negative, in determining whether a valuation allowance to reduce the carrying value of deferred tax assets is required. In 2014 and 2013, the Company concluded, based on the projected allocations of taxable income, that a deferred tax asset of less than $0.1 million and $0.1 million, respectively, will more likely than not be realized on several subsidiaries. In addition, several separate taxable subsidiaries were in a deferred tax liability position at December 31, 2013 and recognized those liabilities. The vast majority of the taxable subsidiaries continue to accumulate deferred tax assets that will not more likely than not be realized. A full valuation allowance continues to be maintained on these taxable subsidiaries. Ultimate realization of the deferred tax assets is dependent upon, among other factors, the Partnership s corporate subsidiaries ability to generate sufficient taxable income within the carryforward periods and is subject to change depending on the tax laws in effect in the years in which the carryforwards are used.

The Company follows the provisions of ASC Topic 740 (ASC 740) which requires that the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. As of December 31, 2014 and 2013, the Company does not have any unrecognized tax benefits related to uncertain tax positions.

The Company and its subsidiaries are subject to US federal income tax as well as income taxes of multiple state jurisdictions. The Company s effective tax rate fluctuates over time based on income tax rates in the various tax jurisdictions in which the Company operates and based on the level of earnings in those jurisdictions.

The Internal Revenue Service (IRS) audited the Company s federal income tax return for the year ended December 31, 2010. The scope of this audit included an audit of the Company s qualifying income. In order to be

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treated as a partnership for federal income tax purposes, at least 90% of the Company s gross income must be qualifying income. The IRS concluded its audit and notified the Company on April 11, 2013 that it was not proposing any adjustments to the return as filed.

If the Company were treated as a corporation for federal income tax purposes for any taxable year for which the statute of limitations remains open or for any future taxable year, the Company would pay federal income tax on its taxable income for such year(s) at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to unitholders. Because a tax would be imposed upon the Company as a corporation, including taxes with respect to prior periods, the Company s cash available for distribution would be substantially reduced.

In connection with each public offering of the Company s common units, including its initial public offering of common units, outside counsel reviewed the various categories of the Company s gross income and opined that it would be classified as a partnership for federal income tax purposes. Although no assurance can be given, the Company does not anticipate any change in its status as a partnership for federal income tax purposes or any change in prior period taxable income.

The Company is not currently under examination by any federal or state jurisdictions. The federal statute of limitations and certain state statutes of limitations are open from 2011 forward. Management believes that the accrual for tax liabilities is adequate for all open years. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. On the basis of present information, it is the opinion of the Company s management that there are no pending assessments that will result in a material effect on the Company s consolidated financial statements over the next twelve months.

The Company recognizes any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses for all periods presented. The Company has not recorded any material interest or penalties during any of the years presented.

The net change in the valuation allowance for 2014 was an increase of $14.1 million. This change in the valuation allowance is the result of the change in unrealized gains and losses of the Company s investment portfolio, which is recorded within deferred revenues, net; the results of acquisition accounting; net operating losses that are more likely than not to be realized and net operating losses that do not meet the more likely than not standard.

10. DEFERRED CEMETERY REVENUES NET / DEFERRED SELLING AND OBTAINING COSTS

In accordance with SAB No. 104, the Company defers the revenues and all direct costs associated with the sale of pre-need cemetery merchandise and services until the merchandise is delivered or the services are performed. The Company also defers the costs to obtain new pre-need cemetery and new prearranged funeral business as well as the investment earnings on the prearranged services and merchandise trusts (see Note 1).

At December 31, 2014 and 2013, deferred cemetery revenues, net, consisted of the following:

	As of December 31,	
	2014	2013

	(in thousands)	
Deferred cemetery revenue	$ 456,632	$ 403,250
Deferred merchandise trust revenue	104,717	88,730
Deferred merchandise trust unrealized gains (losses)	2,284	10,996
Deferred pre-acquisition margin	140,378	131,274
Deferred cost of goods sold	(60,603)	(54,257)
Deferred cemetery revenues, net	$ 643,408	$ 579,993
Deferred selling and obtaining costs	$ 97,795	$ 87,998

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Deferred selling and obtaining costs are carried as an asset on the consolidated balance sheet in accordance with the Financial Services Insurance topic of the ASC.

11. LONG-TERM INCENTIVE AND RETIREMENT PLANS

Long-Term Incentive Plans

Overview

During 2014, the StoneMor Partners L.P. Long-Term Incentive Plan, as amended, referred to as the 2004 Plan, expired pursuant to its terms. The General Partner s Board of Directors had adopted the 2004 plan for its employees, consultants and directors, who performed services for the Company. The 2004 Plan permitted the grant of awards covering an aggregate of 1,124,000 common units in the form of unit options, unit appreciation rights (UARs), restricted units and phantom units. Outstanding awards under this plan continue in effect in accordance with their terms, but the Company is unable to grant new awards under this plan.

Shortly after the 2004 Plan s expiration, the General Partner s Board of Directors and the Company s unitholders approved a new long-term incentive plan, referred to as the 2014 Plan. This plan is substantially similar to the 2004 plan, but it permits the grant of awards covering an aggregate of 1,500,000 common units, a number that the board may increase by up to 100,000 common units per year. The 2014 plan also provides the Company with more flexibility in granting various types of awards and includes, for example, unit awards, which were not part of the 2004 Plan. The compensation committee of the General Partner s Board of Directors administers these plans. The 2014 plan will continue in effect until the earliest of (i) the date determined by the General Partner s Board of Directors; (ii) the date on which common units are no longer available for payment of awards under the plan; or (iii) the tenth anniversary of the approval of the incentive plan by the board.

The General Partner s Board of Directors or compensation committee may, in their discretion, terminate, suspend or discontinue the 2014 Plan at any time with respect to any units for which a grant has not yet been made. The General Partner s Board of Directors also has the right to alter or amend the 2014 Plan or any part of the plan from time to time. This right includes increasing the number of units that may be delivered in accordance with awards under the plan, subject to any approvals if required by the exchange on which the common units are listed at that time. No change in any outstanding grant may be made, however, that would materially impair the rights of the participant without the consent of the participant.

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

Outstanding Awards Made Under the Long-Term Incentive Plans

Phantom Unit Awards

On November 8, 2006, the General Partner, acting on behalf of the Company, entered into a Director Restricted Phantom Unit Agreement (the Director Agreement) with certain of its outside directors (the Directors). Under the terms of the Director Agreement, each of five directors was awarded 3,000 Restricted

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Phantom Units (Director Phantom Units). Director Phantom Units become payable, in cash or common units, at the Company s election, upon the separation of the Director from service as a director or upon the occurrence of certain other events specified in the Director Agreement. Each Director Phantom Unit contains a distribution equivalent right which entitles each Director to additional Director Phantom Units upon each distribution made to common unit holders. The calculation of additional phantom units granted upon each distribution to holders is equal to a Director s total cumulative phantom units at the time of a distribution multiplied by the per unit monetary distribution divided by the closing price of the Company s common units on the day preceding the distribution. Directors may also receive a portion of their annual retainer in deferred restricted phantom units.

On December 16, 2009, the General Partner, acting on behalf of the Company, entered into an Executive Restricted Phantom Unit Agreement (the Executive Agreement) with certain of the Company s executives (the Executives). Under the terms of the Executive Agreement, 20,000 Restricted Phantom Units (Executive Phantom Units) were issued. These units were vested upon issuance.

On November 7, 2012, the General Partner, acting on behalf of the Company, entered into an Executive Restricted Phantom Unit Agreement (the 2012 Executive Agreement) with an executive of the Company (the Executive). Under the terms of the 2012 Executive Agreement, the Executive was awarded 45,000 Restricted Phantom Units (Executive Phantom Units) that vest over 3 years as follows: 15,000 Phantom Units vest one year after the Grant Date, 15,000 Phantom Units vest two years after the Grant Date, and 15,000 Phantom Units vest three years after the Grant Date.

Executive Phantom Units become payable, in cash or common units, at the Company s election, upon the separation of the Executive from service as an executive or upon the occurrence of certain other events specified in the Executive Agreement. The exercise of Executive Phantom Units may be subject to approval by the Company s limited partners as required by the NYSE listing rules. Each Executive Phantom Unit contains a distribution equivalent right which entitles each Executive to additional Executive Phantom Units upon each distribution made to common unit holders. The calculation of additional phantom units granted upon each distribution to holders is equal to an Executive s total cumulative phantom units at the time of a distribution multiplied by the per unit monetary distribution divided by the closing price of the Company s common units on the day preceding the distribution.

The table below reflects the LTIP Phantom Unit Award activity for the years ended December 31, 2014, 2013 and 2012, respectively:

	Years ended December 31,		
	2014	2013	2012
Outstanding, beginning of period	162,103	143,213	84,377
Granted (1)	25,192	18,890	58,836
Matured	15,984		
Forfeited			
Outstanding, end of period	171,311	162,103	143,213
Director Phantom Units (2)	100,945	98,195	71,767
Executive Phantom Units (2)	70,366	63,908	71,446

(1)

The weighted-average price for unit awards on the date of grant was $25.02, $25.29, and $23.84 for the years ended December 31, 2014, 2013 and 2012, respectively.

(2) The phantom units of one of the Executives that retired from the Company and simultaneously became the Vice Chairman of the General Partner s Board of Directors are presented as Director Phantom Units in 2013 and 2014, whereas they were previously presented as Executive Phantom Units. This individual owned approximately 16,586, 14,514 and 13,223 of the Phantom Units outstanding at December 31, 2014, 2013 and 2012, respectively.

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There was approximately $0.3 million, $0.7 million and $1.0 million of unrecognized compensation cost related to the units issued in the 2012 Executive Agreement as of December 31, 2014, 2013 and 2012, respectively. Total compensation expense for phantom unit awards was approximately $1.0 million, $0.8 million and $0.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

There were no modifications made to any existing unit awards in 2014. No unit awards were capitalized during the years ended December 31, 2014, 2013 and 2012.

Unit Appreciation Rights Awards

On December 16, 2009, the General Partner, acting on behalf of the Company, entered into a Key Employee Unit Appreciation Rights Agreement (the 2009 UAR Agreement) with certain of the Company s key employees (the 2009 Key Employees) and non-employee directors. Under the terms of the 2009 UAR Agreement, 2009 Key Employees and non-employee directors received UARs and became entitled to compensation in the form of units, in an amount equal to the closing price of the Company s common units on the day preceding the exercise less $18.80 per unit multiplied by the total number of UARs exercised. Units issued were to be equal to this amount divided by the same closing price of common units. A total of 814,000 UARs were granted under the 2009 UAR Agreement, all of which had vested at December 31, 2013 and had been exercised or had expired by December 31, 2014.

During the second quarter of 2012, the second and fourth quarters of 2013 and the second quarter of 2014, the General Partner, acting on behalf of the Company, entered into Key Employee Unit Appreciation Rights Agreements (the 2012-2014 UAR Agreements) with certain of the Company s key employees (the 2012-2014 Key Employees). Under the terms of the 2012-2014 UAR Agreements, 2012-2014 Key Employees received UARs wherein they became entitled to compensation in the form of units in an amount equal to the closing price of the Company s common units on the day preceding the exercise less stated exercise prices per unit multiplied by the total number of UARs exercised. Units to be issued should be equal to this amount divided by the same closing price of common units.

All UARs granted under the LTIP have a five-year contractual term beginning on the grant date. The fair values of UARs granted under the 2012-2014 UAR Agreements were estimated on the date of grant using the Black-Scholes-Merton option-pricing model. A summary of the grants and the weighted-average values and assumptions used in the valuation are presented below:

	2014 UAR Agreements	2013 UAR Agreements	2012 UAR Agreements
Expected dividend yield	9.95%	9.14%	9.60%
Risk-free interest rate	1.06%	0.63%	0.63%
Expected volatility	27.13%	28.57%	42.60%
Expected life (in years)	3.52	3.52	3.52
Total UARs granted	15,000	52,500	80,500
Total UARs outstanding at 12/31/2014	15,000	52,500	55,500
Fair value per UAR granted	$ 1.60	$ 2.09	$ 3.70
Exercise price	$ 24.11	$ 26.17	$ 24.36

The aggregate fair values of UARs granted during 2012, 2013 and 2014 were approximately $0.3 million, $0.1 million and less than $0.1 million, respectively.

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A summary of UAR activity for the years ended December 31, 2014, 2013 and 2012 follows:

	Years ended December 31,		
	2014	2013	2012
Outstanding, beginning of period	673,716	774,598	759,857
Granted	15,000	52,500	80,500
Exercised	(554,466)	(133,110)	(65,759)
Forfeited	(11,250)	(20,272)	
Outstanding, end of period	123,000	673,716	774,598
Exercisable, end of period	57,090	594,248	514,993

As of December 31, 2014, there was approximately $0.2 million of unrecognized compensation cost related to non-vested UARs. $0.1 million of this cost is expected to be recognized within 1 year, with the remainder being recognized through 2018. Total compensation expense for UARs was approximately $0.1 million for the year ended December 31, 2014 and $0.5 million for the years ended December 31, 2013 and 2012. The Company issued 152,823, 34,096 and 19,452 common units as a result of exercised UARs in 2014, 2013 and 2012, respectively.

During the years ended December 31, 2014, 2013 and 2012, the Company:

Made no modifications to any existing UAR awards;

Did not capitalize any UAR awards;

Did not receive any cash due to the exercise of UARs;

Did not recognize any tax benefits due to exercised UARs.

Retirement Plan

The Company has a 401(k) retirement savings plan for employees who may defer up to 75% of their pre-tax annual compensation, subject to certain Internal Revenue Code limits. The Company does not currently match any of the employee contributions.

12. COMMITMENTS AND CONTINGENCIES

Legal

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

Leases

At December 31, 2014, 2013, and 2012, the Company was committed to operating lease payments for premises, automobiles and office equipment under various operating leases with initial terms ranging from one to twenty five years and options to renew at varying terms. Expenses under these operating leases were $2.5 million, $2.7 million and $2.5 million for the years ended December 31, 2014, 2013, and 2012, respectively.

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At December 31, 2014, the operating leases will result in future payments in the following approximate amounts from January 1, 2015 and beyond:

	(in thousands)
2015	$ 2,392
2016	2,178
2017	2,041
2018	1,763
2019	1,602
Thereafter	1,559
Total	$ 11,535

Employment Agreements

As of December 31, 2014, the Company has an employment agreement with one of its senior executives for a term of three years beginning July 22, 2013.

Other

See Note 13 for a discussion of the Company s future commitments related to its agreements with the Archdiocese of Philadelphia.

13. ACQUISITIONS

Acquisition related costs include legal fees and other third party costs incurred in acquisition related activities. For the year ended December 31, 2013, acquisition related costs included a $1.3 million recovery related to misappropriation claims related to certain acquisitions. For the year ended December 31, 2012, acquisition related costs included legal fees, net of recoveries, of $0.3 million related to amounts paid to pursue the recovery of those claims.

First Quarter 2014 Acquisition

On January 16, 2014, certain subsidiaries of the Company (collectively the Buyer) entered into an Asset Purchase and Sale Agreement with Carriage Cemetery Services, Inc. (the Seller). Pursuant to the Agreement, the Buyer acquired one cemetery in Florida, including certain related assets, and assumed certain related liabilities. In consideration for the net assets acquired, the Buyer paid the Seller $0.2 million in cash.

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The table below reflects the Company s final assessment of the fair value of net assets acquired and the resulting gain on bargain purchase.

	Final Assessment (in thousands)
Assets:	
Accounts receivable	$ 47
Cemetery property	470
Property and equipment	140
Merchandise trusts, restricted, at fair value	2,607
Perpetual care trusts, restricted, at fair value	691
Total assets	3,955
Liabilities:	
Deferred margin	1,035
Merchandise liabilities	956
Deferred tax liability	641
Perpetual care trust corpus	691
Other liabilities	20
Total liabilities	3,343
Fair value of net assets acquired	612
Consideration paid	200
Gain on bargain purchase	$ 412

Second Quarter 2014 Acquisition

On June 10, 2014, certain subsidiaries of the Company (collectively the Buyers) closed the transaction under the Asset Sale Agreements (the Agreements), with certain subsidiaries of Service Corporation International (collectively the Sellers) to acquire nine funeral homes, twelve cemeteries and certain related assets in Central Florida, North Carolina, Southeastern Pennsylvania and Virginia. In consideration for the net assets acquired, the Buyers paid the Sellers $53.8 million in cash. This amount is subject to post-closing adjustments dependent upon the actual amounts of accounts receivable, merchandise trusts net of merchandise liabilities and perpetual care trusts transferred.

The Company recorded an intangible asset of $1.2 million for a favorable interest in a lease at one of the acquired North Carolina funeral home businesses. This asset will be amortized over the full remaining term of the lease agreement, which is approximately 36 years, with renewals. This asset was previously reported as a component of Other assets on the consolidated balance sheet.

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The table below reflects the Company s preliminary and revised assessment of the fair value of net assets acquired and the resulting goodwill from purchase. These amounts were retrospectively adjusted in the fourth quarter of 2014 as the Company obtained additional information related to this acquisition. These amounts may be retrospectively adjusted as additional information is received. The Company acquired goodwill of $2.8 million, $3.3 million and $2.4 million in the Company s Cemetery Operations Southeast, Cemetery Operations Northeast and Funeral Homes operating segments, respectively.

	Preliminary Assessment	Adjustments (in thousands)	Revised Assessment
Assets:			
Accounts receivable	$ 6,191	$ (3)	$ 6,188
Cemetery property	26,033	(4)	26,029
Property and equipment	15,782	(6)	15,776
Merchandise trusts, restricted, at fair value	29,512	2,022	31,534
Perpetual care trusts, restricted, at fair value	15,350	1,563	16,913
Intangible assets		1,170	1,170
Other assets	1,408	(1,230)	178
Total assets	94,276	3,512	97,788
Liabilities:			
Deferred margin	11,233	2,337	13,570
Merchandise liabilities	20,918	(1,013)	19,905
Deferred tax liability	1,315	695	2,010
Perpetual care trust corpus	15,350	1,563	16,913
Other liabilities	51	12	63
Total liabilities	48,867	3,594	52,461
Fair value of net assets acquired	45,409	(82)	45,327
Consideration paid	53,800		53,800
Goodwill from purchase	$ 8,391	$ 82	$ 8,473

Agreements with the Archdiocese of Philadelphia

On May 28, 2014, certain subsidiaries of the Company (Tenant) and the Archdiocese of Philadelphia, an archdiocese governed by Canon Law of the Roman Catholic Church (Landlord) closed a Lease Agreement (the Lease) and a Management Agreement (the Management Agreement), pursuant to which Tenant will operate 13 cemeteries in Pennsylvania for a term of 60 years. The Company joined the Lease and the Management Agreement as a guarantor of all of Tenant s obligations under this operating arrangement.

Landlord agreed to lease to Tenant eight cemetery sites in the Philadelphia area. The Lease granted Tenant a sole and exclusive license (the License) to maintain and construct improvements in the operation of the cemeteries and to sell burial rights and all related merchandise and services, subject to the terms and conditions of the Lease. The Management Agreement enabled Tenant, subject to certain closing conditions, to serve as the exclusive operator of the remaining five cemeteries. The Lease may be terminated pursuant to the terms of the Lease, including, but not limited to, by notice of termination given by Landlord to Tenant at any time during Lease year 11 (a Lease Year 11 Termination) or by either party due to the default or bankruptcy of the other party in accordance with the termination provisions of the Lease. If the Lease is terminated by Landlord or Tenant pursuant to the terms of the Lease, the Management Agreement will also be terminated.

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At closing, Tenant paid to Landlord an up-front rental payment of $53.0 million (the Up-Front Rent). Tenant shall also pay to Landlord aggregate fixed rent of $36.0 million (the Fixed Rent) for the Cemeteries in the following amounts:

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

The Fixed Rent for Lease Years 6 through 11 (the Deferred Fixed Rent) shall be deferred. If Landlord terminates the Lease pursuant to a Lease Year 11 Termination or Tenant terminates the Lease as a result of a Landlord s default prior to the end of Lease Year 11 (collectively, a Covered Termination), the Deferred Fixed Rent shall be forfeited by Landlord and shall be retained by Tenant. If the Lease is not terminated by a Covered Termination, the Deferred Fixed Rent shall become due and payable 30 days after the end of Lease Year 11.

If Landlord terminates the Lease pursuant to a Lease Year 11 Termination, Landlord must repay to Tenant all $53.0 million of the Up-Front Rent. If the Lease is terminated for cause at any time, Landlord must repay to Tenant the unamortized portion of the Up-Front Rent: (i) based on a 60 year amortization schedule if terminated by Tenant due to Landlord s default and (ii) based on a 30 year amortization schedule if terminated by Landlord due to Tenant s default.

Generally, 51% of gross revenues from any source received by Tenant on account of the Cemeteries but unrelated to customary operations of the Cemeteries less Tenant s and Landlord s reasonable costs and expenses applicable to such unrelated activity shall be paid to Landlord as additional rent. In addition, Tenant shall have the right to request from time to time that Landlord sell (to a party that is independent and not an affiliate of StoneMor or any party that is a Tenant) all or portions of undeveloped land at the leased Cemeteries. If Landlord approves the sale of such undeveloped land, Tenant shall pay to Landlord, as additional rent, 51% of the net proceeds of any such sale.

The table below reflects the assets and liabilities recognized:

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

The Company recorded the underlying value of the Lease and Management Agreements as a contract-based intangible asset at the present value of the consideration, less the fair value of net assets received, consisting of acquired accounts receivable. A liability of $8.4 million was also recorded for the present value of the Fixed Rent, which is equal to the $36.0 million gross amount due to the Archdiocese of Philadelphia in the future, net of a discount $27.6 million. The discounted values were determined using an effective annual rate of 8.3%, which represents an estimate of the return an investor would require to make this type of investment in the Company over the rent payment period.

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Fourth Quarter 2014 Acquisition

On December 4, 2014, StoneMor Florida Subsidiary LLC, a subsidiary of the Company (the Buyer), entered into an Asset Purchase and Sale Agreement (the Agreement) with certain businesses (the Sellers). Pursuant to the Agreement, the Buyer acquired two funeral homes in Florida, including certain related assets, and assumed certain related liabilities. In consideration for the net assets acquired, the Buyer paid the Seller $2.4 million in cash.

The Company recorded an intangible asset of $0.5 million relating to its interest in a non-compete agreement with the previous owner. The non-compete intangible asset will be amortized over its 5 year term.

The table below reflects the Company s preliminary assessment of the fair value of net assets acquired and the resulting goodwill from purchase. These amounts may be retrospectively adjusted as additional information is received. The acquired goodwill is recorded in the Company s Funeral Homes operating segment.

	Preliminary Assessment (in thousands)
Assets:	
Accounts receivable	$ 57
Property and equipment	53
Merchandise trusts, restricted, at fair value	78
Non-compete agreement	520
Deferred tax assets	87
Other assets	22
Total assets	817
Liabilities:	
Deferred margin	11
Merchandise liabilities	51
Total liabilities	62
Fair value of net assets acquired	755
Consideration paid cash	2,381
Goodwill from purchase	$ 1,626

First Quarter 2013 Acquisition

On February 19, 2013, StoneMor Florida Subsidiary LLC, a subsidiary of the Company, (the Buyer) entered into an Asset Purchase and Sale Agreement (the Seawinds Agreement) with several Florida limited liability companies and one individual (collectively the Seller). Pursuant to the Agreement, the Buyer acquired six funeral homes in Florida, including certain related assets, and assumed certain related liabilities.

In consideration for the net assets acquired, the Buyer paid the Seller $9.1 million in cash and issued 159,635 common units, which equates to approximately $3.6 million worth of common units under the terms of the Seawinds Agreement. The Buyer also issued an unsecured promissory note in the amount of $3.0 million that was payable on February 19, 2014 and bore interest at 5.0%. In addition, the Buyer will also pay an aggregate amount of $1.2 million in six equal annual installments commencing on February 19, 2014 in exchange for a non-compete agreement with the Seller. The non-compete agreement will be amortized over the 6 year term of the agreement.

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The table below reflects the Company s final assessment of the fair value of net assets acquired and displays the adjustments made to the revised values reported at December 31, 2013. The Company obtained additional information in the first quarter of 2014 and has retrospectively adjusted these values as noted below. The resulting goodwill is recorded in the Company s Funeral Homes operating segment.

	Revised Assessment	Adjustments (in thousands)	Final Assessment
Assets:			
Accounts receivable	$ 695	$ 311	$ 1,006
Property and equipment	8,315		8,315
Merchandise trusts, restricted, at fair value	4,853		4,853
Non-compete agreements	1,927		1,927
Total assets	15,790	311	16,101
Liabilities:			
Deferred margin	2,419	(1,592)	827
Merchandise liabilities	2,233	2,606	4,839
Other liabilities	164		164
Total liabilities	4,816	1,014	5,830
Fair value of net assets acquired	10,974	(703)	10,271
Consideration paid cash	9,100		9,100
Consideration paid units	3,592		3,592
Fair value of note payable	3,000		3,000
Fair value of debt assumed for non-compete agreement	924		924
Total consideration paid	16,616		16,616
Goodwill from purchase	$ 5,642	$ 703	$ 6,345

Third Quarter 2013 Acquisition

On August 1, 2013, certain subsidiaries of the Company (collectively the Buyer) entered into an Asset Purchase and Sale Agreement with Carriage Cemetery Services, Inc. (the Seller). Pursuant to the agreement, the Buyer acquired 1 cemetery in Virginia, including certain related assets, and assumed certain related liabilities. In consideration for the net assets acquired, the Buyer paid the Seller $5.0 million in cash.

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The table below reflects the Company s final assessment of the fair value of net assets acquired and the resulting gain on bargain purchase.

	Final Assessment (in thousands)
Assets:	
Accounts receivable	$ 525
Cemetery property	3,900
Property and equipment	1,047
Merchandise trusts, restricted, at fair value	5,461
Perpetual care trusts, restricted, at fair value	5,888
Total assets	16,821
Liabilities:	
Merchandise liabilities	1,252
Deferred margin	1,356
Perpetual care trust corpus	5,888
Other liabilities	94
Deferred tax liability	701
Total liabilities	9,291
Fair value of net assets acquired	7,530
Consideration paid	5,000
Gain on bargain purchase	$ 2,530

First Quarter 2012 Acquisition

In the second quarter of 2009, the Company entered into a long-term operating agreement (the Operating Agreement) with Kingwood Memorial Park Association (Kingwood) wherein the Company became the exclusive operator of the cemetery. At that time, the Operating Agreement did not qualify as an acquisition for accounting purposes. However, the existing merchandise and perpetual care trusts were consolidated as variable interest entities. In addition, merchandise and other liabilities assumed by the Company were also recorded as of the initial contract date. The consideration paid for this transaction, including cash and an assumed liability, exceeded the net assets recorded as of the initial contract date and an intangible asset was recorded for this amount.

In January of 2012, the Company entered into an amended and restated operating agreement (the Amended Operating Agreement), that supersedes the Operating Agreement. The Amended Operating Agreement has a term of 40 years and the Company remains the exclusive operator of the cemetery. As consideration for entering into the Amended Operating Agreement, the Company paid $1.7 million in cash and was relieved of a note payable to Kingwood. In addition, the prior trustees of Kingwood have resigned in favor of new trustees appointed by the Company. As a result of the changes in the Amended Operating Agreement, for accounting purposes, the Company has gained control of

Kingwood, and acquisition accounting is now applicable.

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The table below reflects the Company s final assessment of the fair value of net assets acquired, the elimination of debt and other assets, and the purchase price, which results in the recognition of goodwill recorded in the Company s Cemetery Operations Southeast segment.

	Final Assessment (in thousands)
Net assets acquired:	
Accounts receivable	$ 66
Cemetery property	3,001
Property and equipment	102
Total net assets acquired	3,169
Assets and liabilities divested:	
Note payable to Kingwood	519
Intangible asset representing underlying contract value	(2,236)
Fair value of net assets acquired and divested	1,452
Consideration paid	1,652
Goodwill from purchase	$ 200

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Second, Third and Fourth Quarter 2012 Acquisitions

The table below reflects the Company s final assessment of the fair value of net assets acquired, the purchase price and the resulting gain (goodwill) from these acquisitions.

	2012				
	2nd Quarter Bronswood	2nd Quarter Lodi	3rd Quarter Farnstrom	3rd Quarter Lohman	4th Quarter Harden
	Final Assessment (in thousands)				
Assets:					
Accounts receivable	$ 72	$	$	$ 1,005	$
Cemetery property	842			6,100	
Property and equipment	518	48	1,296	5,864	952
Merchandise trusts, restricted, at fair value		105		11,884	
Perpetual care trusts, restricted, at fair value	2,780			2,232	
Other assets				122	
Underlying lease value		64			
Non-compete agreements	12	40	170	1,777	204
Total assets	4,224	257	1,466	28,984	1,156
Liabilities:					
Deferred margin				3,746	
Merchandise liabilities		105		3,458	
Deferred tax liability	374				
Perpetual care trust corpus	2,780			2,232	
Other liabilities	24				
Total liabilities	3,178	105		9,436	
Fair value of net assets acquired	1,046	152	1,466	19,548	1,156
Consideration paid cash	924	850	2,300	20,000	2,250
Consideration paid units		350		3,500	650
Fair value of debt assumed for non-compete agreements		544	274	1,230	421
Total consideration paid	924	1,744	2,574	24,730	3,321
Gain on bargain purchase	122				
Goodwill from purchase	$	$ 1,592	$ 1,108	$ 5,182	$ 2,165

On April 10, 2012, certain subsidiaries of the Company (collectively the Buyer) entered into a Stock Purchase Agreement with several individuals (collectively the Seller) to purchase all of the stock of Bronswood Cemetery, Inc., an Illinois Corporation. Through the purchase, the Buyer acquired one cemetery in Illinois, including certain related assets, and assumed certain related liabilities. In consideration for the net assets acquired, the Buyer paid the Seller $0.9 million in cash. This acquisition resulted in a gain on the bargain purchase.

On June 6, 2012, certain subsidiaries of the Company (collectively the Buyer) entered into a Purchase Agreement with several individuals and Lodi Funeral Home, Inc. (collectively the Seller) to purchase certain assets and assume certain liabilities of Lodi Funeral Home, Inc., a California corporation and all of the stock of Lodi All Faiths Cremation, a California corporation. Through the purchase, the Buyer acquired two funeral homes in California including certain related assets, and assumed certain related liabilities. As part of the agreement, the building and underlying real estate of Lodi Funeral Home, Inc. is being leased from the Seller. The lease agreement is a ten year agreement that contains one five year renewal term at the Buyer s election. In

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addition, at the end of the original lease or renewal term, the Buyer can elect to purchase the property for fair value less 10% of any rental amounts previously paid under the lease agreement. The Buyer also has a right of first refusal related to any potential sale of the property occurring during the lease term. In consideration for the net assets acquired, the Buyer paid the Seller $0.85 million in cash and issued 13,720 units, which equates to $0.35 million worth of units. The Buyer will also pay an aggregate amount of $0.6 million in 16 equal quarterly installments commencing on January 2, 2013 in exchange for non-compete agreements with the Seller. The acquired goodwill is recorded in the Company s Funeral Homes operating segment.

On July 2, 2012, certain subsidiaries of the Company (collectively the Buyer) entered into an Asset Purchase and Sale Agreement (the Farnstrom Agreement) with Farnstrom Mortuary, LLC and Farnstrom Properties, LLC, both Oregon limited liability companies, Farnstrom Family, Inc. and Care Cremation Society, Inc., both Oregon corporations and two individuals (collectively the Seller). Pursuant to the Agreement, the Buyer acquired five funeral homes in Oregon, including certain related assets, and assumed certain related liabilities. In consideration for the net assets acquired, the Buyer paid the Seller $2.3 million in cash. The Buyer will also pay an aggregate amount of $0.3 million in 12 equal quarterly installments commencing on July 2, 2012 in exchange for non-compete agreements with the Seller. The acquired goodwill is recorded in the Company s Funeral Homes operating segment.

On July 31, 2012, certain subsidiaries of the Company (collectively the Buyer) entered into an Asset Purchase and Sale Agreement (the Lohman Agreement) with certain Florida corporations, limited liability companies and four individuals (collectively the Seller). Pursuant to the Agreement, the Buyer acquired nine funeral homes and four cemeteries in Florida, including certain related assets, and assumed certain related liabilities. In consideration for the net assets acquired, the Buyer paid the Seller $20.0 million in cash and issued 128,299 units, which equates to $3.5 million worth of units. The Buyer will also pay an aggregate amount of $1.5 million in five equal annual installments commencing on August 1, 2013 in exchange for a consulting and non-compete agreement with the Seller. The acquired goodwill is recorded in both the Company s Cemetery Operations Southeast segment and Funeral Homes operating segment.

On December 13, 2012, StoneMor Florida Subsidiary LLC, a subsidiary of the Company, (the Buyer) entered into an Asset Purchase and Sale Agreement (the Harden Agreement) with a Florida corporation and two individuals (collectively the Seller). Pursuant to the Agreement, the Buyer acquired one funeral home in Florida, including certain related assets, and assumed certain related liabilities. In consideration for the net assets acquired, the Buyer paid the Seller $2.25 million in cash and issued 28,863 units, which equates to $0.7 million worth of units. The Buyer will also pay an aggregate amount of $0.5 million in twenty equal quarterly installments commencing on March 13, 2013 in exchange for a non-compete agreement with the Seller. The acquired goodwill is recorded in the Company s Funeral Homes operating segment.

If the acquisitions noted above had been consummated at the beginning of the comparable prior annual reporting periods, on a pro forma basis, for the years ended December 31, 2014, 2013 and 2012, consolidated revenues, consolidated net loss and net loss per limited partner unit (basic and diluted) would have been as follows:

	As of December 31,		
	2014	2013	2012
	(in thousands)		
Revenue	$ 302,545	$ 281,613	$ 252,270
Net loss	(10,166)	(18,686)	(994)
Net loss per limited partner unit (basic and diluted)	$ (.35)	$ (.70)	$ (.05)

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These pro forma results are unaudited, have been prepared for comparative purposes only, and include certain adjustments such as increased interest on the acquisition of debt, changes in the timing of financing events and the recognition of gains on acquisitions. They do not purport to be indicative of the results of operations which actually would have resulted had these acquisitions been in effect at the beginning of the comparable prior annual reporting periods or of future results of operations of the locations.

Since their respective dates of acquisition, the properties acquired in 2014 have contributed $19.3 million of revenue and $1.6 million of operating profit for the year ended December 31, 2014. The properties acquired in 2013 have contributed $6.0 million of revenue and $0.7 million of operating profit for the year ended December 31, 2014 and $3.9 million of revenue and $0.1 million of operating profit for the year ended December 31, 2013. The properties acquired in 2012 have contributed $11.1 million of revenue and $1.2 million of operating profit for the year ended December 31, 2014, $10.4 million of revenue and $0.5 million of operating profit for the year ended December 31, 2013 and $4.2 million of revenue and $0.1 million of operating profit for the year ended December 31, 2012.

First Quarter 2012 Contract Termination

During the third quarter of 2010, certain subsidiaries of the Company entered into a long-term operating agreement (the Operating Agreement) with the Archdiocese of Detroit (the Archdiocese) wherein the Company became the exclusive operator of certain cemeteries in Michigan owned by the Archdiocese. The Operating Agreement did not qualify as an acquisition for accounting purposes. However, the existing merchandise trust had been consolidated as a variable interest entity as the Company controlled and directly benefited from the operations of the merchandise trust. In addition, liabilities assumed were also recorded as of the contract date. As no consideration was paid in this transaction, the Company had recorded a deferred gain of approximately $3.1 million within deferred cemetery revenues, net, which represented the excess of the value of the merchandise trust over the liabilities assumed.

Effective March 31, 2012, the Company and the Archdiocese agreed to terminate the Operating Agreement. As of the termination date, the Company no longer operated these properties. All activity occurring after March 31, 2012 is the responsibility of the Archdiocese and the Company has no remaining obligation to fulfill any merchandise liabilities or responsibility to perform any obligations of the properties.

The Company received payments of approximately $2.0 million from the Archdiocese as a result of the termination. Consequently, the Company recognized a gain of $1.7 million during the year ended December 31, 2012, which is the amount by which the payments from the Archdiocese exceeded the value of the net assets transferred to the Archdiocese.

Second Quarter 2014 Settlement

During the year ended December 31, 2014, the Company received $1.5 million in cash proceeds related to the settlement of claims from locations acquired by the Company in 2010. Of this amount, $0.6 million is for the reimbursement of legal fees and is recorded as a recovery to corporate overhead. A gain of $0.9 million has been recorded as gain on settlement agreement, net, on the consolidated statement of operations for the proceeds received, net of legal fees.

First and Second Quarter 2013 Settlement

During the year ended December 31, 2013, the Company recovered $18.4 million, net of legal fees, costs, and contractual obligations related to the settlement of claims from locations that the Company acquired in 2010 and 2011. Of this amount, $6.5 million was contributed directly to the related perpetual care and merchandise trusts on the

Company s behalf. $3.4 million of these direct payments represent a gain on settlement agreement on the consolidated statement of operations due to an increase in the merchandise trusts not previously accrued for in purchase accounting.

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The Company received $11.9 million in cash proceeds from the settlement. Of this amount, $1.7 million and $1.3 million are for the reimbursement of legal fees and are recorded as recoveries to corporate overhead and acquisition related costs, respectively. The remaining proceeds were recorded as a gain on settlement agreement on the consolidated statement of operations. The total gain on settlement for the year ended December 31, 2013 was $12.3 million.

Third Quarter 2014 Disposition

On September 30, 2014, the Company sold one funeral home in California for $0.3 million, resulting in a gain of $0.2 million.

14. SEGMENT INFORMATION

The Company is organized into five distinct reportable segments, which are classified as Cemetery Operations Southeast, Cemetery Operations Northeast, Cemetery Operations West, Funeral Homes, and Corporate.

The Company has chosen this level of organization of reportable segments due to the fact that a) each reportable segment has unique characteristics that set it apart from other segments; b) the Company has organized its management personnel at these operational levels; and c) it is the level at which the Company s chief decision makers and other senior management evaluate performance.

The cemetery operations segments sell interment rights, caskets, burial vaults, cremation niches, markers and other cemetery related merchandise. The nature of the Company s customers differs in each of its regionally based cemetery operating segments. Cremation rates in the West region are substantially higher than they are in the Southeast region. Rates in the Northeast region tend to be somewhere between the two. Statistics indicate that customers who select cremation services have certain attributes that differ from customers who select other methods of interment. The disaggregation of cemetery operations into the three distinct regional segments is primarily due to these differences in customer attributes along with the previously mentioned management structure and senior management analysis methodologies.

The Company s Funeral Homes segment offers a range of funeral-related services such as family consultation, the removal of and preparation of remains and the use of funeral home facilities for visitation. These services are distinctly different than the cemetery merchandise and services sold and provided by the cemetery operations segments.

The Company s Corporate segment includes various home office selling and administrative expenses that are not allocable to the other operating segments.

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Segment information is as follows:

As of and for the year ended December 31, 2014:

	Cemeteries			Funeral			
	Southeast	Northeast	West	Homes	Corporate	Adjustment	Total
				(in thousands)			
Revenues							
Sales	$ 95,787	$ 44,528	$ 47,772	$	$	$ (41,214)	$ 146,873
Service and other	42,982	37,688	32,483			(20,627)	92,526
Funeral home				55,751		(7,065)	48,686
Total revenues	138,769	82,216	80,255	55,751		(68,906)	288,085
Costs and expenses							
Cost of sales	20,650	9,025	10,167			(6,190)	33,652
Cemetery	28,291	20,464	15,917				64,672
Selling	31,971	15,363	15,303		1,538	(8,898)	55,277
General and administrative	17,590	7,696	9,824				35,110
Corporate overhead					32,454		32,454
Depreciation and amortization	2,958	1,806	2,140	3,200	977		11,081
Funeral home				40,696		(986)	39,710
Acquisition related costs, net of recoveries					2,269		2,269
Total costs and expenses	101,460	54,354	53,351	43,896	37,238	(16,074)	274,225
Operating profit	$ 37,309	$ 27,862	$ 26,904	$ 11,855	$ (37,238)	$ (52,832)	$ 13,860
Total assets	$ 639,619	$ 423,485	$ 444,890	$ 164,925	$ 26,545	$	$ 1,699,464
Amortization of cemetery property	$ 5,056	$ 2,328	$ 2,935	$	$	$ (662)	$ 9,657
Long lived asset additions	$ 30,109	$ 73,501	$ 4,195	$ 10,998	$ 681	$	$ 119,484
Goodwill	$ 8,950	$ 3,288	$ 11,948	$ 34,650	$	$	$ 58,836

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As of and for the year ended December 31, 2013:

	Cemeteries			Funeral			
	Southeast	Northeast	West	Homes	Corporate	Adjustment	Total
				(in thousands)			
Revenues							
Sales	$ 93,085	$ 36,537	$ 43,426	$	$	$ (47,996)	$ 125,052
Service and other	40,961	26,573	35,210			(26,110)	76,634
Funeral home				50,808		(5,853)	44,955
Total revenues	134,046	63,110	78,636	50,808		(79,959)	246,641
Costs and expenses							
Cost of sales	19,422	8,144	7,816			(7,523)	27,859
Cemetery	26,495	14,615	16,456				57,566
Selling	30,760	13,140	13,910		972	(10,950)	47,832
General and administrative	16,717	6,484	8,672				31,873
Corporate overhead					28,875		28,875
Depreciation and amortization	2,332	900	2,104	3,036	1,176		9,548
Funeral home				36,319		(665)	35,654
Acquisition related costs, net of recoveries					1,051		1,051
Total costs and expenses	95,726	43,283	48,958	39,355	32,074	(19,138)	240,258
Operating profit	$ 38,320	$ 19,827	$ 29,678	$ 11,453	$ (32,074)	$ (60,821)	$ 6,383
Total assets	$ 567,999	$ 312,492	$ 429,799	$ 135,232	$ 28,821	$	$ 1,474,343
Amortization of cemetery property	$ 4,234	$ 2,483	$ 1,202	$	$	$ (572)	$ 7,347
Long lived asset additions	$ 9,418	$ 2,121	$ 3,767	$ 9,637	$ 1,471	$	$ 26,414
Goodwill	$ 6,174	$	$ 11,948	$ 30,615	$	$	$ 48,737

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As of and for the year ended December 31, 2012:

	Cemeteries			Funeral			
	Southeast	Northeast	West	Homes	Corporate	Adjustment	Total
				(in thousands)			
Revenues							
Sales	$ 91,682	$ 34,807	$ 39,590	$	$	$ (36,096)	$ 129,983
Service and other	37,530	25,550	29,176			(15,312)	76,944
Funeral home				37,988		(2,309)	35,679
Total revenues	129,212	60,357	68,766	37,988		(53,717)	242,606
Costs and expenses							
Cost of sales	19,358	7,704	6,745			(5,706)	28,101
Cemetery	25,479	13,693	16,238				55,410
Selling	29,032	12,251	12,490		868	(7,763)	46,878
General and administrative	15,206	6,072	7,648		2		28,928
Corporate overhead					28,169		28,169
Depreciation and amortization	2,164	900	2,316	2,509	1,542		9,431
Funeral home				28,977		(252)	28,725
Acquisition related costs, net of recoveries					3,123		3,123
Total costs and expenses	91,239	40,620	45,437	31,486	33,704	(13,721)	228,765
Operating profit	$ 37,973	$ 19,737	$ 23,329	$ 6,502	$ (33,704)	$ (39,996)	$ 13,841
Total assets	$ 519,918	$ 299,166	$ 394,685	$ 107,059	$ 22,897	$	$ 1,343,725
Amortization of cemetery property	$ 4,346	$ 2,394	$ 1,048	$	$	$ 92	$ 7,880
Long lived asset additions	$ 12,832	$ 3,594	$ 4,757	$ 9,415	$ 849	$	$ 31,447
Goodwill	$ 6,174	$	$ 11,948	$ 24,270	$	$	$ 42,392

Results of individual operating segments are presented based on our management accounting practices and management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to GAAP; therefore, the financial results of individual operating segments are not necessarily comparable with similar information for any other company. The management accounting process uses assumptions and allocations to measure performance of the operating segments. Methodologies are refined from time to time as management accounting practices are enhanced and businesses change. Revenues and associated expenses are not deferred in accordance with SAB No. 104; therefore, the deferral of these revenues and expenses is provided in the adjustment column to reconcile the Company s managerial financial statements to those prepared in accordance with GAAP. Pre-need sales revenues included within the sales category consist primarily of the sale of burial lots, burial vaults, mausoleum crypts, grave markers and memorials, and caskets. Management accounting practices included in the Southeast, Northeast, and Western Regions reflect these pre-need sales when contracts are signed by the customer

and accepted by the Company. Pre-need sales reflected in the consolidated financial statements, prepared in accordance with GAAP, recognize revenues for the sale of burial lots and mausoleum crypts when the product is constructed and at least 10% of the sales price is collected. With respect to the other products, the consolidated financial statements prepared under GAAP recognize sales revenues when the criteria for delivery under SAB No. 104 are met. These criteria include, among other things, purchase of the product, delivery and installation of the product in the ground, and transfer of title to the customer. In each case, costs are accrued in connection with the recognition of revenues; therefore, the consolidated financial statements reflect Deferred Cemetery Revenue, Net, and Deferred Selling and Obtaining Costs on the consolidated balance sheet, whereas the Company s management accounting practices exclude these items.

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15. FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures topic of the ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This topic also establishes a fair value hierarchy that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy defined by this topic are described below.

Level 1: Quoted market prices available in active markets for identical assets or liabilities. The Company includes short-term investments, consisting primarily of money market funds, U.S. Government debt securities and publicly traded equity securities and mutual funds in its level 1 investments.

Level 2: Quoted prices in active markets for similar assets; quoted prices in non-active markets for identical or similar assets; inputs other than quoted prices that are observable. The Company includes U.S. state and municipal, corporate and other fixed income debt securities in its level 2 investments.

Level 3: Any and all pricing inputs that are generally unobservable and not corroborated by market data.

On the Company s consolidated balance sheet, current assets, long-term accounts receivable and current liabilities are recorded at amounts that approximate fair value.

The following table displays the Company s assets measured at fair value as of December 31, 2014 and December 31, 2013.

As of December 31, 2014
Merchandise Trust

	Level 1	Level 2	Total
		(in thousands)	
Assets			
Short-term investments	$ 52,521	$	$ 52,521
Fixed maturities:			
U.S. state and local government agency		269	269
Corporate debt securities		8,976	8,976
Other debt securities		7,139	7,139
Total fixed maturity investments		16,384	16,384
Mutual funds debt securities	142,680		142,680
Mutual funds equity securities real estate sector	58,672		58,672
Mutual funds equity securities energy sector	7,733		7,733
Mutual funds equity securities MLP s	22,927		22,927
Mutual funds equity securities other	90,126		90,126
Equity securities:			
Master limited partnerships	50,091		50,091
Global equity securities	30,208		30,208
Other invested assets		5,159	5,159

Total	$ 454,958	$ 21,543	$ 476,501

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Perpetual Care Trust

	Level 1	Level 2	Total
		(in thousands)	
Assets			
Short-term investments	$ 26,644	$	$ 26,644
Fixed maturities:			
U.S. government and federal agency	116		116
U.S. state and local government agency		79	79
Corporate debt securities		23,466	23,466
Other debt securities		371	371
Total fixed maturity investments	116	23,916	24,032
Mutual funds debt securities	123,894		123,894
Mutual funds equity securities real estate sector	41,753		41,753
Mutual funds equity securities energy sector	14,829		14,829
Mutual funds equity securities MLP s	43,596		43,596
Mutual funds equity securities other	25,258		25,258
Equity securities:			
Master limited partnerships	43,207		43,207
Global equity securities	1,867		1,867
Other invested assets		25	25
Total	$ 321,164	$ 23,941	$ 345,105

As of December 31, 2013
Merchandise Trust

	Level 1	Level 2	Total
		(in thousands)	
Assets			
Short-term investments	$ 46,518	$	$ 46,518
Fixed maturities:			
Corporate debt securities		9,171	9,171
Other debt securities		7,324	7,324
Total fixed maturity investments		16,495	16,495
Mutual funds debt securities	111,333		111,333
Mutual funds equity securities real estate sector	49,103		49,103
Mutual funds equity securities MLP s	36,193		36,193
Mutual funds equity securities other	72,234		72,234
Equity securities:			
Master limited partnerships	57,258		57,258
Global equity securities	28,437		28,437

Other invested assets		5,723	5,723
Total	$ 401,076	$ 22,218	$ 423,294

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Perpetual Care Trust

	Level 1	Level 2	Total
		(in thousands)	
Assets			
Short-term investments	$ 16,686	$	$ 16,686
Fixed maturities:			
U.S. government and federal agency	372		372
Corporate debt securities		24,510	24,510
Other debt securities		371	371
Total fixed maturity investments	372	24,881	25,253
Mutual funds debt securities	116,013		116,013
Mutual funds equity securities real estate sector	40,763		40,763
Mutual funds equity securities energy sector	14,761		14,761
Mutual funds equity securities MLP s	46,817		46,817
Mutual funds equity securities other	13,252		13,252
Equity securities:			
Master limited partnerships	36,925		36,925
Global equity securities	919		919
Other invested assets		382	382
Total	$ 286,508	$ 25,263	$ 311,771

Level 1 securities primarily consist of actively publicly traded money market funds, mutual funds and equity securities.

Level 2 securities primarily consist of corporate and other fixed income debt securities. The Company obtains pricing information for these securities from an independent pricing vendor. The pricing vendor uses various pricing models for each asset class that are consistent with what other market participants would use. The inputs and assumptions to the pricing vendor s model are derived from market observable sources including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and other market-related data. Since many fixed income securities do not trade on a daily basis, the pricing vendor uses available information as applicable such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Thus, certain securities may not be priced using quoted prices, but rather determined from market observable information. These investments are included in Level 2. The Company reviews the information provided by the pricing vendor on a regular basis. In addition, the pricing vendor has an established process in place for the identification and resolution of potentially erroneous prices.

There were no level 3 assets.

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16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following summarizes certain quarterly results of operations:

	Three months ended			
2014	**March 31**	**June 30**	**September 30**	**December 31**
	(in thousands, except unit data)			
Revenues	$ 64,387	$ 71,533	$ 78,174	$ 73,991
Net income (loss)	409	(118)	(3,268)	(7,796)
General partner s interest in net income (loss) for the period	4	(9)	(44)	(106)
Limited partners interest in net income (loss) for the period	405	(109)	(3,224)	(7,690)
Net income (loss) per limited partner unit:				
Basic and diluted	$ 0.02	$	$ (0.11)	$ (0.26)

	Three months ended			
2013	**March 31**	**June 30**	**September 30**	**December 31**
	(in thousands, except unit data)			
Revenues	$ 59,612	$ 62,422	$ 61,539	$ 63,068
Net loss	(2,200)	(11,809)	(1,484)	(3,539)
General partner s interest in net loss for the period	(40)	(218)	(26)	(66)
Limited partners interest in net loss for the period	(2,160)	(11,591)	(1,458)	(3,473)
Net loss per limited partner unit:				
Basic and diluted	$ (0.11)	$ (0.54)	$ (0.07)	$ (0.16)

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

17. PARTNERS CAPITAL

Partners capital consists of common units representing limited partner interests and the general partner s interest. Holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors. Also, our partnership agreement restricts the voting rights of unitholders owning 20% or more of our common units. Excluding the impact of the incentive distribution rights held by the general partner, holders of our common units share proportionately in the distributions of the Company.

Our general partner has rights separate from the common unitholders including the ability to direct the operations of the Company and to transfer its ownership interest without unitholder consent under certain circumstances. The general partner also holds incentive distribution rights that entitle it to receive increasing percentages of the cash we distribute from operating surplus in excess of specific per unit distribution amounts. Our general partner also has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest.

The table below reflects the activity relating to the number of common units outstanding for the years ended December 31, 2014, 2013 and 2012, respectively:

	Years ended December 31,		
	2014	**2013**	**2012**
Outstanding, beginning of period	21,377,102	19,568,448	19,368,261
Public offerings	5,290,000	1,610,000	
Issuance of common units	2,255,947		
Unit distributions	111,740		
Issuances related to acquisitions and related agreements		164,558	180,735
Unit-based compensation	168,806	34,096	19,452
Outstanding, end of period	29,203,595	21,377,102	19,568,448

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On February 27, 2014, the Company completed a follow-on public offering of 2,300,000 common units at a price of $24.45 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately $53.2 million. The proceeds from the offering were used to pay down borrowings outstanding under the Credit Facility.

On May 21, 2014, the Company sold to American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company (ACII), 2,255,947 common units in the Company at an aggregate purchase price of $55.0 million, or $24.38 per unit, pursuant to a Common Unit Purchase Agreement (the Common Unit Purchase Agreement), dated May 19, 2014, by and between the Company and ACII. The proceeds were used primarily to fund the up-front rent consideration for the transaction with the Archdiocese of Philadelphia that closed during the second quarter of 2014. Refer to Note 13 for a more detailed discussion on the transaction with the Archdiocese of Philadelphia.

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

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

On August 14, 2014 and November 14, 2014, the Company issued 57,062 and 54,678 Distribution Units, respectively, to ACII in lieu of aggregate cash distributions of approximately $2.8 million.

On June 12, 2014, after the exercise of the underwriters over-allotment option, the Company completed a follow-on public offering of 2,990,000 common units at a price of $23.67 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately $67.1 million. The proceeds from the offering were used to pay the purchase price related to the transaction with Service Corporation International, which closed in the second quarter of 2014, with the remainder used to pay down borrowings outstanding under the Credit Facility. Refer to Note 13 for a more detailed discussion of the acquisition.

On March 26, 2013, the Company completed a follow-on public offering of 1,610,000 common units at a price of $25.35 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately $38.4 million. The proceeds from the offering were used to pay off debt on the Credit Facility.

From time to time, common units are issued related to the Company s long-term incentive plans and business combinations. Refer to Notes 11 and 13, respectively, for more information on these activities.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures
Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Disclosure Committee and management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon, and as of the date of this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management s Report on Internal Control over Financial Reporting

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

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria described in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that we maintained effective internal control over financial reporting as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report, which appears herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In May 2013, COSO issued an updated version of its *Internal Control Integrated Framework* (the 2013 Framework), which is an update of the original 1992 Framework that includes more explicit and relevant principles for the current business environment. As of December 31, 2014, we have adopted the 2013 Framework.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Levittown, Pennsylvania

We have audited the internal control over financial reporting of StoneMor Partners L.P. and subsidiaries (the Company) as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated March 16, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

March 16, 2015

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Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Partnership Structure and Management

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

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

On May 21, 2004, GP Holdings, as the sole member of StoneMor GP, entered into the Second Amended and Restated Limited Liability Company Agreement (the Second Amended and Restated LLC Agreement) of StoneMor GP, which amended and restated the Amended and Restated Limited Liability Company Agreement of StoneMor GP, dated September 20, 2004, as amended. GP Holdings, as the sole member of StoneMor GP, is entitled to elect all directors of StoneMor GP, except that Messrs. Miller and Shane acting collectively have the right to designate one director (a Founder Director). The Founder Director is Lawrence R. Miller so long as he serves as the Chief Executive Officer of StoneMor GP or desires to serve as a director of StoneMor GP and thereafter will be William R. Shane.

Directors and Executive Officers of StoneMor GP LLC

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

Name	Age	Positions with StoneMor GP LLC
Lawrence Miller	66	Chief Executive Officer, President and Chairman of the Board of Directors
Timothy K. Yost	48	Chief Financial Officer and Secretary
David L. Meyers	47	Chief Operating Officer
William R. Shane	68	Vice Chairman of the Board of Directors
Howard L. Carver	70	Director
Jonathan A. Contos (1)	30	Director

Allen R. Freedman	74	Director
Robert B. Hellman, Jr.	55	Director
Martin R. Lautman, Ph.D.	68	Director
Leo J. Pound (1)	60	Director
Fenton R. Talbott	73	Director

(1) On August 26, 2014, the Board of Directors of our general partner elected Leo J. Pound and Jonathan A. Contos to serve as directors of our general partner.

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Peter K. Grunebaum served as a member of the Board of Directors of our general partners since December 2004 and retired as a director of our general partner and a member of the Audit Committee, Conflicts Committee and Trusts and Compliance Committee (collectively, the Committees) effective March 31, 2014. Howard T. Slayen served as a director of our general partner from December 1, 2013, and as a member of the Committees following Mr. Grunebaum s retirement on March 31, 2014, until his resignation effective July 1, 2014. Mr. Slayen, a retired partner of PricewaterhouseCoopers LLP (PWC), advised our general partner that he resigned as a result of the restructuring of the ownership of StoneMor GP with ACII, which created potential independence issues for PWC given that PWC is the auditor for ACII and its associated entities. Mr. Slayen s resignation from the Board of Directors of StoneMor GP is not due to any disagreement with StoneMor GP, us or our independent auditor, Deloitte & Touche LLP.

Executive Officer and Board Member

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

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

Additional Directors

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

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

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

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

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

Robert B. Hellman, Jr. has served on the Board of Directors of our general partner since our formation in April 2004 and had served as a director of Cornerstone since March 1999 through April 2004. Mr. Hellman co-founded American Infrastructure MLP Funds in 2006 and is a managing member of American Infrastructure Funds, L.L.C., an investment adviser registered with SEC. Mr. Hellman was the Chief Executive Officer and a Managing Director of McCown De Leeuw & Co., LLC, the sponsor of numerous private equity investment funds, which he joined in 1987. Mr. Hellman was named Managing Director of McCown De Leeuw & Co., LLC in 1991 and Chief Executive Officer

in 2001. Mr. Hellman has been a private equity investor for 25 years and

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responsible for inventing the pioneering idea of applying the MLP structure to the deathcare industry, which led to our IPO as a MLP. Mr. Hellman has also been a director of GP Holdings, the sole member of our general partner, since May 2014. Mr. Hellman received an MBA from the Harvard Business School with Baker Scholar Honors, an MS in economics from the London School of Economics, and a BA in economics from Stanford University. He is a member of the board of the Stanford Institute for Economic Policy Research. Mr. Hellman brings to the Board of Directors of our general partner extensive investment management and capital raising experience, combined with excellent leadership and strategic skills.

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

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

Fenton R. Pete Talbott has served on the Board of Directors of our general partner since our formation in April 2004 and had served as Chairman of the Board of Cornerstone since April 2000 through April 2004. Mr. Talbott served as the President of Talbott Advisors, Inc., a consulting firm, from January 2006 through January 2010.

Mr. Talbott previously served as an operating affiliate of McCown De Leeuw & Co., LLC from November 1999 to December 2004 and currently serves as an operating affiliate of American Infrastructure Funds, L.L.C. Additionally, he served as the Chairman of the Board of Telespectrum International, an international telemarketing and market-research company, from August 2000 to January 2001. Prior to 1999,

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Mr. Talbott held various executive positions with Comerica Bank, American Express Corporation, Bank of America, The First Boston Corp., CitiCorp., and other entities. He currently serves as a board member of the Preventative Medicine Research Institute, Kansas University Board of Trustees, and Landmark Dividend, LLC. Mr. Talbott brings to the Board of Directors of our general partner extensive operational and consulting expertise, experience with compensation matters and his significant professional contact base.

Executive Officers (Non-Board Members)

A brief biography of additional executive officers is included below:

Timothy K. Yost has served as Chief Financial Officer and Secretary of our general partner since April 1, 2012 and had served as Vice President of Financial Reporting and Investor Relations from November 2004 until March 31, 2012. Prior to joining our general partner, Mr. Yost was the Chief Financial Officer of SpinCycle, Inc. a national chain of coin-operated laundromats. He began with that company in 1997. From October 1995 through May 1997, he was a controller for the Magellan Corporations, a real estate limited partnership syndicate specializing in the development and acquisition of multi-unit residential housing properties. From October 1991 through October 1995, Mr. Yost was the Head of Premium Accounting for Republic Western Insurance Company, a division of U-Haul International.

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

Reorganization

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

Prior to the Reorganization, (i) CFSI owned 100% of Class A membership interests, and Messrs. Miller, Shane, M. Stache and B. Stache, owned 100% of Class B membership interests in StoneMor GP, and (ii) Mr. Hellman, as the sole member of Gen4 Trust Advisor LLC, a Delaware limited liability company, along with MDC IV Trust U/T/A November 30, 2010, MDC IV Associates Trust U/T/A November 30, 2010, and Delta Trust U/T/A November 30, 2010 (collectively, the MDC IV Liquidating Trusts, of which Gen4 Trust Advisor LLC acts as trust advisor), directly and indirectly shared beneficial ownership of 90.8% of membership interests in CFS, 10.1% of membership interests in CFSI and, indirectly through CFS, 85% of membership interests in CFSI. In addition, (i) Messrs. Miller s and

Shane s family partnerships and Mr. Lautman owned membership interests in CFS, and (ii) Messrs. Miller and Shane, their respective family partnerships and Messrs. Lautman, Freedman, Michael Stache and Robert Stache owned membership interests in CFSI. After the reorganization, as

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described above, Messrs. Hellman (in his capacity as Trustee), Miller and Shane (and their respective family partnerships), Freedman, Lautman, Michael Stache and Robert Stache continue to beneficially own interests in StoneMor GP.

The reorganization was completed through a series of mergers, as a result of which: (i) CFS Merger Sub, LLC, a wholly-owned subsidiary of ACII, merged with and into CFS (the CFS Merger), with CFS surviving the merger, (ii) CFSI Merger Sub, LLC, a wholly-owned subsidiary of ACII, merged with and into CFSI (the CFSI Merger), with CFSI surviving the merger; and (iii) CFS merged with and into CFSI, with CFSI surviving the merger (CFS-CFSI Merger) and changing its name to GP Holdings. In connection with the CFS Merger and CFSI Merger, each holder of membership interests in CFS and CFSI had the right to elect to retain all of its CFS and/or CFSI units, as applicable, or to receive cash merger consideration of $1.4412484 per unit in the CFS Merger or $30.001868 per unit in the CFSI Merger. The Trustee of the Trust was issued new CFS and CFSI units, for the pecuniary benefit of ACII, equal to the aggregate number of CFS and CFSI units with respect to which members of CFS and CFSI were entitled to receive their respective aggregate cash merger consideration. After the effective time of the CFS-CFSI Merger, the holders of Class B membership interests in StoneMor GP contributed their Class B membership interests in StoneMor GP, as well as CFSI units (including CFS units that were converted into CFSI units in connection with the CFS-CFSI Merger) that they and their affiliates elected to retain in the CFS Merger and CFSI Merger, in exchange for common units in GP Holdings, which constitute, approximately 32.06%, computed on a fully diluted basis, of the membership interests in GP Holdings. Upon the consummation of the CFS-CFSI Merger and these contributions, GP Holdings became the owner of 100% of the membership interests of StoneMor GP.

On May 21, 2014, in connection with the transactions described above, the members of GP Holdings entered into the Amended and Restated Limited Liability Company Agreement of GP Holdings, pursuant to which the Trustee has the right, among other matters, to designate all of the directors of GP Holdings, provided that Messrs. Miller and Shane (so long as either is a member of GP Holdings) acting collectively have the right to designate one director (the Founder Director), which Founder Director is Lawrence Miller so long as he either serves as the Chief Executive Officer of StoneMor GP or desires to serve as a director of GP Holdings and thereafter will be William Shane. The initial directors of GP Holdings are Robert B. Hellman, Jr., Jonathan Contos, and Lawrence Miller.

On May 21, 2004, GP Holdings, as the sole member, entered into the Second Amended and Restated Limited Liability Company Agreement (the Second Amended and Restated LLC Agreement) of StoneMor GP, which amended and restated the Amended and Restated Limited Liability Company Agreement of StoneMor GP, LLC, dated September 20, 2004, as amended. The Second Amended and Restated LLC Agreement provides for only one class of membership interests: Class A to reflect the contribution of Class B members interests as described above.

Board Meetings and Executive Sessions, Communications with Directors and Board Committees

From January 1, 2014 to December 31, 2014, the Board of Directors of our general partner held four meetings. All directors then in office attended all of these meetings, either in person or by teleconference.

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

Interested parties, including unitholders, may contact one or more members of our Board of Directors, including non-management directors individually or as a group, by writing to the director or directors in care of the Secretary of our general partner at our principal executive offices. A communication received from an interested party or unitholder will be promptly forwarded to the director or directors to whom the communication is addressed. We will

not, however, forward sales or marketing materials or correspondence primarily commercial in nature, materials that are abusive, threatening or otherwise inappropriate, or correspondence not clearly identified as interested party or unitholder correspondence.

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

Audit Committee

The current members of the Audit Committee are Messrs. Freedman (Chairman), Carver and Pound. During 2014, due to changes in the composition of the board, the members of the Audit Committee included Messrs. Freedman (Chairman), Grunebaum, Carver, Slayen, Talbott and Pound. Mr. Slayen served as a member of the Audit Committee following Mr. Grunebaum s retirement on March 31, 2014 and until Mr. Slayen s resignation effective July 1, 2014. Mr. Talbott served as a member of the Audit Committee following Mr. Slayen s resignation until November 10, 2014, when the Board appointed Mr. Pound to serve as a member of the Audit Committee of the Board. The primary responsibilities of the Audit Committee are to assist the Board of Directors of our general partner in its general oversight of our financial reporting, internal controls and audit functions, and it is directly responsible for the appointment, retention, compensation and oversight of the work of our independent auditors. The Audit Committee s charter is posted on our website at www.stonemor.com under the Investors section. Information on our website does not constitute a part of this Annual Report on Form 10-K.

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

Conflicts Committee

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

Conflicts of interest may arise between us and our unitholders, on the one hand, and our general partner and its affiliates, on the other hand. These conflicts include decisions made by our general partner (such as the amount and timing of borrowings or whether to acquire additional cemeteries) that may result in our general partner receiving incentive distributions.

Compensation, Nominating and Governance, and Compliance Committee (Formerly, the Nominating, Compensation and Corporate Governance Committee)

The members of the Compensation, Nominating and Governance, and Compliance Committee (the Compensation Committee) are Messrs. Talbott (Chairman), Hellman, and Lautman. Effective May 2014,

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compliance oversight functions of the former Trust and Compliance Committee were delegated to the Compensation Committee, and in September 2014, the committee was renamed as the Compensation, Nominating and Governance, and Compliance Committee. The primary responsibilities of the Compensation Committee are to oversee compensation decisions for the non-management directors of our general partner and executive officers of our general partner (in the event they are to be paid by our general partner), as well as our long-term incentive plan, to select and recommend nominees for election to the Board of Directors of our general partner, and to oversee matters of non-financial compliance, including our overall compliance with applicable legal and regulatory requirements.

Trust Committee (Formerly, the Trust and Compliance Committee)

The members of the Trust Committee during 2014 included Messrs. Hellman (Chairman), Talbott, Freedman, Grunebaum, Slayen, Shane and Carver. Mr. Slayen served as a member of the Trust Committee following Mr. Grunebaum s retirement on March 31, 2014 and until Mr. Slayen s resignation effective July 1, 2014. Mr. Talbott served as chair of the Trust and Compliance Committee before the compliance responsibilities were reassigned to the Compensation Committee. After the reassignment, Mr. Hellman became chair of the Trust Committee. The primary responsibilities of the Trust Committee are to assist the Board in fulfilling its responsibility in the oversight management of merchandise trusts and perpetual care trusts (merchandise trusts together with perpetual care trusts, the Trusts) and to review and recommend an investment policy for the Trusts, including (i) asset allocation; (ii) acceptable risk levels; (iii) total return or income objectives; and (iv) investment guidelines relating to eligible investments, diversification and concentration restrictions, and performance objectives for specific managers or other investments.

Code of Ethical Conduct for Financial Managers, Code of Business Conduct and Ethics for Directors, the Code of Ethics Policy, and the Corporate Governance Guidelines

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

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

Section 16(a) Beneficial Ownership Reporting Compliance

Our general partner s directors, officers and beneficial owners of more than 10% of common units, if any, are required to file reports of ownership and reports of changes in ownership with the SEC. Directors, officers and beneficial owners of more than 10% of our common units are also required to furnish us with copies of all such reports that are filed. Based on our review of copies of such forms and amendments, we believe that all of the directors and executive officers of our general partner complied with all filing requirements under Section 16(a) of the Exchange Act during the year ended December 31, 2014, except for one Form 4 relating to one transaction for Mr. Hellman, and one Form

4 relating to one transaction for Mr. Pound, which, through inadvertence, were not timely filed. In addition, one Form 5 filed by Mr. Freedman in February 2015 in connection with one 2012 gift transaction, through inadvertence, was not timely filed.

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Item 11. Executive Compensation

Compensation Discussion and Analysis

Our Compensation Process

Our business is managed by the directors, officers and employees of our general partner. We have no employees of our own. Accordingly, all decisions relating to compensation of the executive officers and directors of our general partner are made by the Board of Directors of our general partner, which we refer to as the board. The Compensation, Nominating and Governance, and Compliance Committee of the board, which we refer to as the compensation committee, is responsible for determining, or making recommendations to the board regarding the compensation of executive officers and outside directors and for overseeing all executive officer compensation programs, plans and policies, including those involving the issuance of equity securities.

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

Objectives and Overview of Our Compensation Programs

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

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

Role of the Board, the Compensation Committee and Management

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

In 2014, the compensation committee has determined the compensation of our executive officers without the input of any compensation consultants. Compensation decisions for individual executive officers are the result of the subjective analysis of a number of factors, including the executive officer s experience, skills and tenure with us as well as the input (except in case of the CEO s compensation) of our Chief Executive Officer. In making individual

compensation decisions, the compensation committee relies on the judgment and experience of its members as well as information that is reasonably available to committee members, including, but not limited to, comparable company data.

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

Elements of Our Executive Compensation Program

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

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

Base Salary

Base salary is the guaranteed element of our executive officers compensation. The base salaries of Mr. Miller, the Chief Executive Officer of our general partner, Mr. Yost, the Chief Financial Officer of our general partner, and Mr. Meyers, the Chief Operating Officer of our general partner, described below reflect the subjective assessment of the compensation committee and the board, taking into consideration the experience of the executive, the competitive market for similarly skilled executives, the complexity of the executive s job, our financial capabilities and business goals. The base salaries of Messrs. Miller, Yost and Meyers did not increase in 2014. The executive salaries for the

2015 calendar year are $528,000, $300,000 and $325,000 for Messrs. Miller, Yost and Meyers, respectively.

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Bonuses

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

For 2014, the compensation committee awarded discretionary bonuses to certain key employees of our general partner. Messrs. Miller and Yost were awarded bonuses of $300,000 and $75,000, respectively. Mr. Meyers was awarded a bonus of $75,000 pursuant to the terms of his October 2013 offer letter.

Long-Term Equity Incentive Plan Awards

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

In 2014, 6,458.59 phantom units were credited to Mr. Miller s mandatory deferred compensation account, pursuant to his distribution equivalent rights under his executive restricted phantom unit agreements. Phantom units become payable, in cash or common units, at our election, upon the separation of the executive from service or upon the occurrence of certain other events specified in the applicable agreement. For additional information on awards previously made to our executive officers, see Note 11 to consolidated financial statements included in this Annual Report on Form 10-K.

The board does not have a program, plan or practice to time grants of awards in coordination with release of material non-public information.

Severance Payments

The employment agreement for Mr. Miller, which was amended and restated in July 2013, provides for severance payments in the amount of 2.5 times base salary in the event an executive s employment is terminated by our general partner without cause or by the executive for good reason. In that circumstance, all of the executive s unvested equity awards will vest and the executive will be entitled to the continuation of insurance benefits for an agreed period or a cash equivalent. We do not provide cash payments to executives that are triggered by a change of control of our company or our general partner, but upon such a change of control, all of our executives unvested equity awards will vest. We believe that the foregoing arrangements are necessary to provide for personal financial security and encourage the continued attention and dedication of the management talent required to achieve our business goals.

Health and Welfare Benefits and Perquisites

Our named executive officers participate in a wide array of benefit plans that are available to all of our salaried employees, including health, life and disability insurance plans. We generally do not offer our named

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executive officers any material compensation in the form of perquisites. Perquisites provided to our named executive officers described in Footnote 2 to the Summary Compensation Table below are linked to our compensation philosophy of encouraging the long-term retention of our executives.

COMPENSATION COMMITTEE REPORT

The Compensation, Nominating and Governance, and Compliance Committee of the board of directors of our general partner has reviewed and discussed with management the Compensation Discussion and Analysis for the year ended December 31, 2014. Based on such review and discussions, the Compensation, Nominating and Governance, and Compliance Committee recommended to the board that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

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

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

Fenton R. Talbott, Chairman

Robert B. Hellman, Jr.

Martin R. Lautman

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SUMMARY COMPENSATION TABLE

The following table sets forth the compensation awarded to, earned by, or paid to our Chief Executive Officer, our Chief Financial Officer and our other executive officer, referred to as named executive officers, for all services rendered in all capacities to our subsidiaries and us. Terms Stock and Option in the Summary Compensation Table and other tables included in this Item 11 refer to common units and unit appreciation rights, respectively, of StoneMor Partners L.P.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards (1) ($)	Option Awards (1) ($)	All Other Compensation (2) ($)	Total ($)
Lawrence Miller	2014	$ 527,884	$ 300,000	$ 161,150	$	$ 13,200	$ 1,002,234(3)
Chief Executive Officer,	2013	$ 526,616	$ 462,515	$ 143,754	$	$ 13,200	$ 1,146,085(3)
President and Chairman of the Board	2012	$ 500,000	$	$ 1,102,388	$	$ 16,475	$ 1,618,863(3)
Timothy K. Yost	2014	$ 250,000	$ 75,000	$	$	$	$ 325,000
Chief Financial Officer and	2013	$ 250,000	$ 189,332	$	$	$	$ 439,332
Secretary	2012	$ 212,500	$	$	$ 92,000	$	$ 304,500
David L. Meyers	2014	$ 300,000	$ 75,000	$	$	$ 6,000	$ 381,000
Chief Operating Officer	2013	$ 56,538	$	$	$ 50,000	$ 20,548	$ 127,086

(1) Represents the aggregate grant date fair value of awards made during the year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 referred to as ASC Topic 718 based on the assumptions set forth in Note 11 to the consolidated financial statements included in our Annual Report on Form 10-K. In 2014, Mr. Miller received 6,458.59 restricted phantom units with an aggregate fair value of $161,150. In 2013, Mr. Miller received 5,685.38 restricted phantom units with an aggregate fair value of $143,754. Also, in 2013, Mr. Meyers received 25,000 Unit Appreciation Rights (UARs) with an aggregate fair value of $50,000. In 2012, Mr. Miller received 46,231.82 restricted phantom units with an aggregate fair value of $1,102,388 Also, in 2012, Mr. Yost received 25,000 Unit Appreciation Rights (UARs) with an aggregate fair value of $92,000.

(2) Other compensation for 2014 includes an auto allowance of $13,200 for Mr. Miller and $6,000 for temporary housing expenses for Mr. Meyers. Other compensation for 2013 includes an auto allowance of $13,200 for Mr. Miller and a $12,500 hiring bonus to Mr. Meyers. The company also paid $8,048 in 2013 for relocation and temporary housing expenses for Mr. Meyers. Other compensation for 2012 includes an auto allowance of $13,200 for Mr. Miller and $3,275 in expenses related to the travel of the spouse of Mr. Miller.

(3) For information regarding cash distributions that may be received by our named executive officer by reasons of his ownership interests in our general partner or its affiliates see Item 13. Certain Relationships and Related Transactions, and Director Independence.

GRANTS OF PLAN-BASED AWARDS DURING THE YEAR ENDED DECEMBER 31, 2014

The following table sets forth information regarding grants of plan-based awards to our named executive officers during the year ended December 31, 2014.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#) (1)	Grant Date Fair Value of Stock and Option Awards (2)
Lawrence Miller	2/14/2014	1,550.54	$ 38,345
	5/15/2014	1,616.27	$ 39,275
	8/14/2014	1,657.18	$ 40,916
	11/14/2014	1,634.60	$ 42,614

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(1) Under the executive restricted phantom unit agreements entered into under our long-term incentive plans, Mr. Miller was credited with 6,458.59 phantom units during 2014, pursuant to his distribution equivalent rights. The distribution equivalent rights accrue on restricted phantom units representing limited partner interests and become payable, in cash or common units, at the election of the issuer, upon the separation of the reporting person from service or upon the occurrence of certain other events. Each distribution equivalent right is the economic equivalent of one common unit representing a limited partner interest.

(2) The grant date fair value, pursuant to his distribution equivalent rights, is equal to the cumulative restricted phantom units outstanding at the time of the distribution, multiplied by the per-unit monetary distribution, divided by the closing price per common unit on the day prior to the distribution date.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2014

The following table sets forth information with respect to outstanding equity awards at December 31, 2014 for our named executive officers.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested (2)
Lawrence Miller			$		70,366	$ 1,813,332
Timothy K. Yost	16,666	8,334	$ 24.36	4/2/2017		$
David L. Meyers	7,291	17,709	$ 25.61	10/22/2018		$

(1) Pursuant to a unit appreciation rights agreement entered into under our 2004 Long-Term Incentive Plan on April 2, 2012, Mr. Yost was granted 25,000 UARs. Pursuant to a unit appreciation rights agreement entered into under our 2004 Long-Term Incentive Plan on October 22, 2013, Mr. Meyers was granted 25,000 UARs. The UARs entitle an executive to receive, in our whole common units or cash, at our election, the excess of the fair value of the common unit on the day prior to the exercise date over the applicable exercise price, which was the last trading price of a common unit immediately preceding the grant. The UARs vest ratably over a period of 48 months beginning on the grant date.

(2) Consistent with prior periods, during 2014 Mr. Miller was credited with 6,458.59 phantom units pursuant to his distribution equivalent rights pursuant to awards granted under our long-term incentive plans. The phantom units become payable, in cash or common units, at our election, upon the separation of the executive from service as an executive of our general partner or upon the occurrence of certain other events. The market value has been computed by multiplying the closing price of the common units on December 31, 2014 by the number of restricted phantom units held by Mr. Miller in his deferred compensation account at December 31, 2014.

OPTION EXERCISES AND STOCK VESTED DURING YEAR ENDED DECEMBER 31, 2014

The following table provides information about the value realized by the named executive officers on the exercise of unit appreciation rights during the year ended December 31, 2014.

	Option Awards	
Name	**Number of Shares Acquired on Exercise (#) (1)**	**Value Realized on Exercise ($) (1)**
Lawrence Miller	49,187	$ 1,286,240
Timothy K. Yost	7,026	$ 183,730

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(1) Messrs. Miller and Yost exercised 175,000 UARs and 25,000 UARs, respectively, which had vested under our 2004 Long Term Incentive Plan. The UARs had an exercise price of $18.80 per unit and their exercise resulted in the issuance of 49,187 units and 7,026 units, respectively, based upon the difference between the closing price of our outstanding common units on the day prior to the exercise date of September 9, 2014 ($26.15) and the exercise price.

Agreements with Named Executive Officers

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

Lawrence Miller

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

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

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

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

Mr. Miller s employment may be terminated by StoneMor GP without Cause or Mr. Miller may terminate his employment for Good Reason, as defined in the Employment Agreement. In either event, Mr. Miller is entitled to: (i) earned but unpaid base salary prior to the date of termination; (ii) payment for all accrued but unused vacation time up to the date of termination; (iii) payment of any earned bonus that was deferred; (iv) any

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bonus payable pursuant to any bonus program, to the extent already earned but not paid in the year in which termination occurs; (v) an amount equal to Mr. Miller s base salary, multiplied by a factor of 2.50; (vi) immediate vesting of and lapsing of restrictions on all unvested stock awards; (vii) continued participation in StoneMor GP s medical, dental, hospitalization and life insurance plans, programs and/or arrangements in which he was participating on the date of the termination until the earlier of two years; the date he receives substantially equivalent coverage under the plans, programs and/or arrangements of a subsequent employer or the date on which such plans are terminated, provided, however that if such coverage not be allowed under StoneMor GP s plans, Mr. Miller is entitled to a lump sum payment, less contributions, in an amount equal to the amount that StoneMor GP would have spent on Mr. Miller s premiums for the same period; and (viii) such additional benefits provided under existing plans and programs of StoneMor GP (other than severance payments payable under any benefit plan).

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

David Meyers

In October 2013, Mr. Meyers entered into a Letter Agreement with our general partner, which provides for Mr. Meyers to receive an annual base salary of $300,000 per year and a hiring bonus of $12,500. Pursuant to the Letter Agreement, Mr. Meyers is also eligible to receive a discretionary annual bonus of up to a maximum of 25% of his annual base salary. The sum of $75,000 was guaranteed as the minimum annual bonus for the calendar year ending December 31, 2014. Mr. Meyers was provided with temporary housing for 120 days, and our general partner covered the customary buyers closing costs (excluding down payment) for the purchase of a home prior to December 31, 2014. Our general partner also reimbursed Mr. Meyers relocation expenses, subject to Mr. Meyers obligation to pay back the reimbursed expenses if he terminates his employment within 12 months from the relocation date. Mr. Meyers also entered into a Confidentiality and Non-Compete Agreement with StoneMor GP, which contains customary non-solicitation, non-competition and confidentiality covenants.

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Potential Payments upon Termination or Change of Control

The following table describes the potential payments and benefits under Mr. Miller s employment agreement and agreements relating to awards granted under our long-term incentive plans, as applicable, to which the named executive officers would be entitled upon termination of employment if our general partner terminated their employment without cause or if the executive terminates assuming the termination took place on December 31, 2014. A change of control of our general partner or of us would not trigger change of control payments, but it would accelerate the vesting of the outstanding unvested awards granted under our long-term incentive plans.

Name	Cash Severance Payment ($) (1)	Continuation of Medical /Welfare Benefits (Present Value) ($) (2)	Acceleration and Continuation of Equity Awards ($) (3)	Total Termination Benefits ($)
Lawrence Miller:				
Termination:				
by death	$ 4,875,000	$ 29,862	$ 1,813,332	$ 6,718,194
by disability, by executive for good reason or by our general partner without cause	$ 1,320,000	$ 29,862	$ 1,813,332	$ 3,163,194
Timothy K. Yost	$	$	$ 11,751	$ 11,751
David L. Meyers	$	$	$ 2,833	$ 2,833

(1) Mr. Miller is entitled to 2.5 times his base annual salary if he is terminated by disability or without cause, or if he terminates with good reason.

(2) Mr. Miller is entitled to continued coverage under our medical, dental, hospitalization and life insurance programs for two years for himself and his dependents.

(3) At December 31, 2014, Mr. Miller held 70,366.89 restricted executive phantom units. Mr. Yost held 8,334 unvested UARs for which the exercise price was $24.36. Mr. Meyers held 17,709 unvested UARs for which the exercise price was $25.61. The UARs automatically vest if there is a change in control, but remain unvested if there is termination event by other means. The amount calculated hereunder is based upon the closing price of our outstanding common units at December 31, 2014 ($25.77). The fair value of Mr. Miller s restricted executive phantom units is equal to the total phantom units outstanding multiplied by the December 31, 2014 closing price. The value of UARs is equal to the total unvested UARs multiplied by the difference between the closing price of our common units at December 31, 2014 and the relevant exercise prices.

DIRECTOR COMPENSATION

The following table sets forth compensation information for 2014 for each member of our general partner s board of directors, except for Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of our general partner, who does not receive additional compensation for serving on the board. See Summary Compensation Table for compensation disclosures related to Mr. Miller.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (3) (4)	All Other Compensation ($)	Total ($)
Howard L. Carver (1)	$ 62,500	$ 79,665	$	$ 142,165
Jonathan A. Contos (1)	$ 44,000	$	$	$ 44,000
Allen R. Freedman (1)	$ 35,000	$ 124,682	$	$ 159,682
Peter K. Grunebaum (1)	$ 8,500	$ 13,880	$	$ 22,380
Robert B. Hellman, Jr. (1)	$ 91,500	$ 24,408	$	$ 115,908
Martin R. Lautman, Ph.D. (1)	$ 44,000	$ 93,544	$	$ 137,544
Leo J. Pound (1)	$ 34,000	$ 5,000	$	$ 39,000
William R. Shane (2)	$ 74,000	$ 51,974	$	$ 125,974
Howard T. Slayen (1)	$ 32,000	$ 15,184	$	$ 47,184
Fenton R. Talbott (1)	$ 98,750	$ 60,727	$	$ 159,477

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(1) Each board member denoted was entitled to an annual retainer of $80,000, which could have be received in cash, restricted phantom units or a combination of cash and restricted phantom units at the board member s election. A minimum of $20,000 of the $80,000 annual retainer had to be paid in restricted phantom units to each director. Following the Reorganization, the board determined that this minimum did not apply to Messrs. Hellman and Contos, who were compensated in cash thereafter. In addition to the retainers, the same board members were entitled to a meeting fee of $2,000 for each meeting of the board of directors attended in person and $1,500 for each committee meeting attended in person, a fee of $500 for participation in each telephone board call that is greater than one hour, but less than two hours, and $1,000 for participation in each telephone board call that is two hours or more. In addition, Mr. Freedman receives an annual retainer of $15,000 as the Chairman of the Audit Committee and Mr. Talbott receives an annual retainer of $12,500 for serving as the Chairman for our Compensation, Nominating and Governance, and Compliance Committee and for serving as Chairman of the Trust and Compliance Committee prior to its shift to the Trust Committee. Lastly, each board member is entitled to receive restricted phantom units pursuant to their distribution equivalent rights. The cash amounts shown in the table above are those earned during 2014. For information regarding cash distributions that may be received by our directors by reasons of their ownership interests in our general partner or its affiliates see Item 13. Certain Relationships and Related Transactions, and Director Independence.

(2) In connection with his retirement from the position of Executive Vice President and Chief Financial Officer, Mr. Shane entered into an employment agreement with our general partner, pursuant to which he served as an advisor available to management and Vice Chairman of the Board of Directors of our general partner until April 1, 2014. Upon expiration of this agreement, Mr. Shane agreed to continue in this role on an at-will basis. During 2014, Mr. Shane earned $152,600 as well as other compensation consisting of an auto allowance of $6,600 in this advisor role. Excluding his stock awards and his $74,000 cash retainer for serving as a director, Mr. Shane did not receive any other compensation as a director during 2014. His total cash compensation for the year, excluding his auto allowance, was $226,600.

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

	Deferred Compensation Account Balance at 12/31/2013	Restricted Phantom Units 2014 Elective Compensation	2014 Awards Pursuant to Distribution Equivalent Rights	Conversion to Common Units Upon Resignation	Balance at 12/31/2014
Howard L. Carver	15,128.23	1,588.80	1,588.85		18,305.88
Jonathan A. Contos					

Allen R. Freedman	16,516.00	3,177.60	1,789.08		21,482.68
Peter K. Grunebaum	14,799.88	204.08	359.08	(15,363.04)	
Robert B. Hellman, Jr.	4,869.96	604.07	382.87		5,856.90
Martin R. Lautman, Ph.D.	16,516.00	1,986.00	1,744.09		20,246.09
Leo J. Pound		190.33			190.33
William R. Shane	14,514.12	590.32	1,481.49		16,585.93
Howard T. Slayen		613.25	7.56	(620.81)	
Fenton R. Talbott	15,850.59	794.40	1,631.86		18,276.85

(4) See the table below:
This table presents the aggregate grant date fair value of awards made during the year in accordance with ASC Topic 718 based on the assumptions set forth in Note 11 to the consolidated financial statements included in our Annual Report on Form 10-K.

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

		Fair Value of Units Granted									
Grant Date	Fair Value per Unit (1)	Howard Carver	Jonathan Contos	Allen Freedman	Peter Grunebaum	Robert Hellman	Martin Lautman	Leo Pound	William Shane	Howard Slayen	Fenton Talbott
2/14/2014	$ 24.73	$ 9,077	$	$ 9,909	$ 8,880	$ 2,922	$ 9,910	$	$ 8,708	$	$ 9,510
3/11/2014	$ 24.50	$ 10,000	$	$ 20,000	$ 5,000	$ 5,000	$ 12,500	$	$	$ 7,500	$ 5,000
5/13/2014	$ 24.42	$ 10,000	$	$ 20,000	$	$ 5,000	$ 12,500	$	$ 5,000	$ 7,500	$ 5,000
5/15/2014	$ 24.30	$ 9,542	$	$ 10,640	$	$ 3,115	$ 10,456	$	$ 8,920	$ 184	$ 9,864
8/14/2014	$ 24.69	$ 10,190	$	$ 11,584	$	$ 3,371	$ 11,205	$	$ 9,417	$	$ 10,400
8/26/2014	$ 25.61	$ 10,000	$	$ 20,000	$	$ 5,000	$ 12,500	$	$ 5,000	$	$ 5,000
11/11/2014	$ 26.27	$ 10,000	$	$ 20,000	$	$	$ 12,500	$ 5,000	$ 5,000	$	$ 5,000
11/14/2014	$ 26.07	$ 10,856	$	$ 12,549	$	$	$ 11,973	$	$ 9,929	$	$ 10,953
Total		$ 79,665	$	$ 124,682	$ 13,880	$ 24,408	$ 93,544	$ 5,000	$ 51,974	$ 15,184	$ 60,727

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

At December 31, 2013, each non-executive board member, excluding Messrs. Contos, Pound and Slayen, also held UARs, which were granted in 2009. Mr. Shane held 175,000 UARs, while the remaining board members each held 15,000 UARs. All of these UARs were exercised during 2014 and are no longer outstanding.

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

Long-Term Incentive Plans

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

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

Subject to adjustments due to recapitalization or reorganization, the maximum aggregate number of common units which may be issued pursuant to all awards under the 2014 plan is 1,500,000 common units and, commencing with the first business day of each calendar year beginning with 2015, the board may increase such

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maximum aggregate number of common units by up to 100,000 common units per year. Common units withheld from an award or surrendered by a recipient to satisfy certain tax withholding obligations of the Partnership or an affiliate or in connection with the payment of an exercise price with respect to an award will not be considered to be common units delivered under the 2014 plan. If any award is forfeited, canceled, exercised, settled in cash or otherwise terminates or expires without the actual delivery of common units pursuant to the award, the common units subject to such award will be again available for awards under the 2014 plan.

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

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

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

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

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

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UAR: A UAR entitles the grantee to receive the excess of the fair market value of a common unit on the exercise date over the exercise price established for such UAR, which may be paid in cash or common units at the discretion of the compensation committee. The compensation committee determines the number of common units to be covered by each grant, whether DERs are granted with respect to such UAR, the exercise price and the conditions and the limitations applicable to the exercise of the UAR, which may include accelerated vesting upon the achievement of certain performance goals.

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

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

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

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

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

Upon a change of control of the Partnership or our general partner, the compensation committee may undertake one or more of the following actions, which may vary among individual holders and awards: (i) remove forfeiture restrictions

on any award; (ii) accelerate the time of exercisability or lapse of a restricted period; (iii) provide for cash payment with respect to outstanding awards by requiring the mandatory surrender of all or some of outstanding awards; (iv) cancel awards that remain subject to a restricted period without payment to the recipient of the award; or (v) make certain adjustments to outstanding awards as the compensation committee deems appropriate.

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

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

Risk Assessment in Compensation Policies and Practices for Employees

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

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

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

Compensation Committee Interlocks and Insider Participation

None of the persons who served as members of the Compensation, Nominating and Governance, and Compliance Committee (Fenton R. Talbott, Robert B. Hellman, Jr. or Martin R. Lautman) in 2014 has ever been an officer or other employee of our company, or has any relationship requiring disclosure under Item 404 of Regulation S-K other than as described in Item 13. Certain Relationships and Related Transactions, and Director Independence.

Additionally, there were no compensation committee interlocks during 2014, which generally means that none of executive officers of our general partner served as a director or member of the compensation committee of another entity, one of whose executive officers served as a director or member of the Nominating, Compensation and

Corporate Governance Committee of the board of directors of our general partner.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, the beneficial ownership of the common units of StoneMor as of March 2, 2015 held by beneficial owners of 5% or more of the units, if any, by directors and named executive officers of our general partner and by all directors and executive officers of our general partner as a group. Unless otherwise indicated, the address for each unitholder is c/o StoneMor Partners L.P., 311 Veterans Highway, Suite B, Levittown, PA 19056. Unless otherwise indicated, the beneficial owner named in the table is deemed to have sole voting and sole dispositive power of the units set forth opposite such beneficial owner s name.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Common units	Lawrence Miller (1)	209,442	*
Common units	Timothy K. Yost	12,193	*
Common units	David L. Meyers		*
Common units	William R. Shane (2)	175,092	*
Common units	Howard L. Carver	12,565	*
Common units	Jonathan A. Contos		*
Common units	Allen R. Freedman (3)	41,630	*
Common units	Robert B. Hellman, Jr. (4)	2,271,858	7.8%
Common units	Martin R. Lautman, Ph.D.	130,514	*
Common units	Leo J. Pound	500	*
Common units	Fenton R. Talbott (5)	42,535	*
All directors and executive officers as a group (11 persons)		2,867,829	9.8%
American Cemeteries Infrastructure Investors, LLC (4)		2,255,947	7.7%
950 Tower Lane, Suite 800, Foster City, CA 94404			

* Less than one percent

(1) Includes 64,167 common units held by LDLM Associates, LP, and 28,500 common units held by Osiris Investments, LP. Mr. Miller is the grantor and trustee of the Miller Revocable Trust, which is the general partner of LDLM Associates, LP. Mr. Miller is also a limited partner of LDLM Associates, LP, holding 98% of its limited partner interests. Mr. Miller and Mr. Shane are each 50% members of Osiris Investments LLC, which is the general partner of Osiris Investments LP. Mr. Miller therefore may be deemed to beneficially own all of the units beneficially owned by LDLM Associates, LP and Osiris Investments, LP. Pursuant to an agreement between Mr. Miller and Bank of America, N.A., as lender (the Lender), Mr. Miller pledged 151,200 common units as security for a loan the Lender made to Mr. Miller (the Miller Pledge Agreement). In the absence of a default, the Miller Pledge Agreement does not grant to the Lender the power to dispose or direct the disposition of the pledged securities.

(2) Includes 64,167 common units held by Ten Twenty, LP and 28,500 common units held by Osiris Investments, LP. Mr. Shane is the general partner of Ten Twenty LP. Mr. Miller and Mr. Shane are each 50% members of Osiris Investments LLC, which is the general partner of Osiris Investments LP. Mr. Shane therefore may be deemed to beneficially own all of the units beneficially owned by Ten Twenty LP and Osiris Investments, LP. Pursuant to an agreement between Ten Twenty, LP and the Lender, Ten Twenty, LP pledged 32,196 common units as a security for a loan the Lender made to Ten

Twenty, LP (the Ten Twenty Pledge Agreement). In the absence of a default, the Ten Twenty Pledge Agreement does not grant to the Lender the power to dispose or direct the disposition of the pledged securities.

(3) Includes 20,798 common units held by Mr. Freedman s spouse and over which Mr. Freedman may be deemed to have beneficial ownership.

(4) Mr. Hellman s beneficial ownership includes 15,911 common units held by Mr. Hellman directly and 2,255,947 common units held by American Cemeteries Infrastructure Investors, LLC, referred to as

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

(5) Mr. Talbott pledged 42,535 common units as security for his margin and asset managed accounts with Wells Fargo Advisors, LLC and Wells Fargo Bank, N.A, respectively.

Equity Compensation Plan Information

The following table details information regarding our equity compensation plan as of December 31, 2014:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders 2004 Plan (1)	173,244	$ 10.57	332,284
Equity compensation plans approved by security holders 2014 Plan (2)	2,188	$	1,497,812
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	175,432	$ 10.49	1,830,096

(1) Includes 169,122 in restricted phantom units and 4,122 units that would be issued upon exercise of UARs based upon the exercise price of the UARs and the closing price of our common units at December 31, 2014. Column (a) does not include the anti-dilutive effects of 27,500 UARs that have an exercise price greater than the closing price of our common units at December 31, 2014. Although the 2004 Long-term Incentive Plan expired in September 2014 and we are unable to grant new awards under the 2004 plan, phantom units granted under the 2004 plan continue to accrue distribution equivalent rights each time we pay a distribution on our common units.

Once phantom units vest, such phantom units, as well as phantom units accrued in connection with distribution equivalent rights will be settled either in common units or cash, at our discretion.

(2) Includes 2,188 in restricted phantom units awarded during the fourth quarter of 2014 after the approval of the 2014 Long-term Incentive Plan. Column (c) is comprised of 1,500,000 available units approved with the 2014 Long-term Incentive Plan, less the 2,188 phantom units awarded. The 2014 plan initially permits the grant of awards covering an aggregate of 1,500,000 common units, a number that the board may increase by up to 100,000 common units per year.

Item 13. Certain Relationships and Related Transactions, and Director Independence
Independence of Directors

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

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like us to have a majority of independent directors on the board of directors of its general partner. The board of directors has determined that Howard Carver, Jonathan Contos, Allen Freedman, Robert Hellman, Martin Lautman, Leo Pound, and Fenton Talbott qualify as independent directors in accordance with the applicable requirements of the NYSE, as required by Item 407(a) of Regulation S-K.

Related Party Transactions Policy and Procedures

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

Distributions and Payments to our General Partner and its Affiliates

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

Distributions of available cash to our general partner and its affiliates	We have generally made cash distributions of approximately 97-98% to the unitholders, including our general partner, in respect of any common units that it may own, and approximately 1-2% to our general partner. As of December 31, 2014 our general partner s ownership percentage was 1.35%. Our general partner also holds incentive distribution rights. Pursuant to such rights, if distributions per common unit exceed target distribution levels, our general partner will be entitled to increasing percentages of the distributions above each level, up to approximately 48% of the distributions above the highest level plus its general partnership percentage interest.
Payments to our general partner and its affiliates	Our general partner and its affiliates do not receive any management fee or other compensation for the management of our business and affairs, but they are reimbursed for all expenses that they incur on our behalf, including general and administrative expenses and corporate overhead. As the sole purpose of the general partner is to act as our general partner, substantially all of the expenses of our general partner are incurred on our behalf and reimbursed by us or our subsidiaries. Our general partner determines the expenses that are allocable to us in good faith.
Withdrawal or removal of our general Partner	If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for

	an amount equal to the fair market value of those interests.
Liquidation	Upon our liquidation, the unitholders and our general partner will be entitled to receive liquidating distributions according to their respective capital account balances.

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Ownership Interests in Our General Partner

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

The following table shows the owners of our general partner prior to the Reorganization described above:

Name	Ownership of Outstanding Class A Units of StoneMor GP LLC	Ownership of Outstanding Class B Units of StoneMor GP LLC (3)
CFSI LLC	100%(2)	
Lawrence Miller		30%
William R. Shane		30%
Michael Stache (1)		20%
Robert Stache (1)		20%

(1) Both Michael Stache and Robert Stache are former executives of our general partner.

(2) In connection with the conversion of Cornerstone into CFSI, all of the outstanding shares of Cornerstone common stock were converted into Class B units of CFSI , and all of the outstanding shares of Cornerstone preferred stock were converted into Class A units of CFSI (since redeemed). CFSI was owned directly by CFS (85% of the Class B units), the MDC IV Liquidating Trusts (approximately 10.1% of the Class B units), Messrs. Miller and Shane (each of whom owned, along with family partnerships, approximately 1.2% of the Class B units), and other individuals, including the following directors and executive officers of our general partner, each of whom owned less than 1% of the Class B units: Messrs. Talbott, Lautman and Freedman.

(3) Holder of Class B units in the aggregate were entitled to 50% of all quarterly cash distributions by StoneMor GP from what we paid to our general partner with respect to its general partner interest and 25% of all quarterly cash distributions by StoneMor GP from what we paid to our general partner with respect to its incentive distribution rights. Holders of the Class A units were entitled to the remaining 50% of quarterly distributions that we paid to our general partner with respect to its general partner interest and the remaining 75% of quarterly distributions that we paid to our general partner with respect to its incentive distribution rights.

CFS was, in turn, owned beneficially directly by the MDC IV Liquidating Trusts (approximately 89.8% membership interest), institutional investors (approximately 5.3% aggregate membership interest) and the following directors of our general partner: Messrs. Miller, Shane and Lautman. Each of Messrs. Shane and Miller owned an approximately

1.6% membership interest in CFS through family partnerships and Mr. Lautman owned less than approximately a 1% membership interest in CFS. As a result of their ownership interests in CFSI and CFS, each of these directors of our general partner held an indirect interest in the Class A units of our general partner.

Relationship with ACII

On May 21, 2014, the Partnership sold to ACII, 2,255,947 common units (the Common Units) representing limited partner interests in the Partnership (the Purchased Units) at an aggregate purchase price of

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$55.0 million (i.e., $24.38 per Purchased Unit) pursuant to a Common Unit Purchase Agreement (the Common Unit Purchase Agreement), dated May 19, 2014, by and between the Partnership and ACII. In connection with the consummation of this private placement transaction, on May 21, 2014, the Partnership and ACII also entered into a Registration Rights Agreement (the Registration Rights Agreement) providing ACII with certain registration rights as described below.

Pursuant to the Common Unit Purchase Agreement, commencing with the quarter ending June 30 2014, ACII is entitled to receive distributions equal to those paid on the Common Units generally. Through the quarterly distribution payable for the quarter ending June 30, 2018, such distributions may be paid in cash, Common Units issued to ACII in lieu of cash distributions (the Distribution Units), or a combination of cash and Distribution Units, as determined by the Partnership in its sole discretion. If the Partnership elects to pay distributions through the issuance of Distribution Units, the number of Common Units to be issued in connection with a quarterly distribution will be the quotient of (A) the amount of the quarterly distribution paid on the Common Units by (B) the volume-weighted average price of the Common Units for the thirty (30) trading days immediately preceding the date a quarterly distribution is declared with respect to the Common Units. Beginning with the quarterly distribution payable with respect to the quarter ending September 30, 2018, the Purchased Units will receive cash distributions on the same basis as all other Common Units and the Partnership will no longer have the ability to elect to pay quarterly distributions in kind through the issuance of Distribution Units. On August 14, 2014 and November 14, 2014, the Partnership issued 57,062 and 54,678 Distribution Units, respectively, to ACII in lieu of aggregate cash distributions of approximately $2.8 million. See Notes 13 and 17 to the consolidated financial statements included in Part II of this Annual Report on Form 10-K for additional information on the Purchased Units and Distribution Units.

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

Pursuant to the Registration Rights Agreement, the Partnership was required to file a shelf registration statement (the Distribution Unit Registration Statement) with the Securities and Exchange Commission (the SEC) on or prior to June 5, 2014 to register the offer and sale by ACII of a good faith estimate of the total number of Distribution Units that may be issued to ACII under the Common Unit Purchase Agreement, and use its commercially reasonable efforts to cause the Distribution Unit Registration Statement to be declared effective as soon as practicable thereafter. The registration statement was declared effective on June 25, 2014. After July 1, 2018, ACII shall have the right to require the Partnership to prepare and file with the SEC a shelf registration statement (a Demand Registration Statement) to register the offer and sale of (a) the Purchased Units purchased by ACII pursuant to the Common Unit Purchase Agreement or (b) Distribution Units issued to ACII pursuant to the Common Unit Purchase Agreement but not included in the Distribution Unit Registration Statement.

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

ACII is an affiliate of American Infrastructure Funds, L.L.C., an investment adviser registered with SEC. Mr. Hellman, a director of our general partner, is a managing member of American Infrastructure Funds, L.L.C. and

he is affiliated with entities that own membership interests in ACII and the entity that is the manager of ACII. Mr. Hellman is also the sole Trustee (the Trustee) under a Trust (the Trust) established pursuant to a

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Voting and Investment Trust Agreement by and between ACII and Mr. Hellman, as Trustee, dated as of May 9, 2014, for the benefit of ACII. Mr. Contos, a director of our general partner, is a Vice President of American Infrastructure Funds, L.L.C.

Agreements Governing the Partnership

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

Omnibus Agreement

On September 20, 2004 we entered into an omnibus agreement with McCown De Leeuw, CFS, CFSI, our general partner and StoneMor Operating LLC.

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

CFSI had agreed to indemnify us for all federal, state and local income tax liabilities attributable to the operation of the assets contributed by CFSI to us prior to the 2004 closing of the public offering. CFSI had also agreed to indemnify us against additional income tax liabilities, if any, that arise from the consummation of the 2004 transactions related to our formation in excess of those believed to result at the time of the 2004 closing of our initial public offering. We had estimated that $600,000 of state income taxes and no federal income taxes would be due as a result of these formation transactions. CFSI had also agreed to indemnify us against the increase in income tax liabilities of our corporate subsidiaries resulting from any reduction or elimination of our net operating losses to the extent those net operating losses are used to offset any income tax gain or income resulting from the prior operation of the assets of CFSI contributed to us in 2004, or from our formation transactions in excess of such gain or income believed to result at the time of the 2004 closing of the initial public offering. Until all of its indemnification obligations under the omnibus agreement had been satisfied in full, CFSI was subject to limitations on its ability to dispose of or encumber its interest in our general partner or the common units held by it (except upon a redemption of common units by the partnership upon any exercise of the underwriters over-allotment option) and would also be prohibited from incurring any indebtedness or other liability. An amendment to the omnibus agreement dated January 24, 2011 was entered into by all parties to the omnibus agreement (and after due consideration approved by our Conflicts Committee, which retained independent counsel; the committee was chaired by Mr. Carver). An accompanying certification by our general partner established that as of the date of the amendment, CFSI s indemnification obligations under the omnibus agreement were discharged and CFSI was no longer subject to the limitations and prohibition described above in this paragraph. Those indemnification obligations pertain to the taxable year 2004 of CFSI. To our knowledge, there has been no inquiry from or instigation of proceedings by any taxing authority, which could reasonably be expected to require indemnification under the omnibus agreement. We believe

the expiration has occurred of all applicable statutes of limitations (including any extensions thereof) relating to the filing of all tax returns, which could reasonably be expected to require indemnification under the omnibus agreement, except if there, were certain omissions of gross income of more than 25% or fraud. Our general partner has certified to its knowledge

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there was no such omission or fraud. CFSI is also subject to certain limitations on its ability to transfer its interest in our general partner or the common units held by it if the effect of the proposed transfer would trigger an ownership change under the Internal Revenue Code that would limit our ability to use our federal net operating loss carryovers. Please read Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Income Taxes.

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

Relationship with MDC IV Liquidating Trusts

Prior to the reorganization, MDC IV Liquidating Trusts was the beneficial owner of approximately 87.2% of the Class B units of CFSI through its direct ownership of approximately 10.1% of the Class B units of CFSI and indirectly through its ownership of approximately 90.8% of the membership interests in CFS, which owned approximately 85% of the Class B units of CFSI.

Under the Limited Liability Company Agreement of CFSI, MDC IV Liquidating Trusts had the right to designate at least three individuals, and such other greater number of individuals, to serve on the board of managers of CFSI. In addition, for so long as Mr. Miller served as an officer of CFSI , he would also serve as a manager of CFSI, and for so long as Mr. Shane served as an officer of CFSI, he would also serve as a manager of CFSI.

The Limited Liability Company Agreement of CFSI contained provisions that required CFSI, through its direct control of our general partner and its indirect control of us and our subsidiaries, to prevent us, our subsidiaries and our general partner from taking certain significant actions without the approval of CFSI. These actions included:

certain acquisitions, borrowings and capital expenditures by us, our subsidiaries or our general partner;

issuances of equity interests in us or our subsidiaries; and

certain dispositions of equity interests in, or assets of, us, our general partner or our subsidiaries.

Under the Second Amended and Restated Limited Liability Company Agreement of CFS, MDC IV Liquidating Trusts had the right to designate at least three individuals, and such other greater number of individuals, to serve on the board of managers of CFS. In addition, for so long as Mr. Miller served as an officer of CFS, he would also serve as a manager of CFS, and for so long as Mr. Shane served as an officer of CFS, he would also serve as a manager of CFS.

Under the Second Amended and Restated Limited Liability Company Agreement of CFS and the Limited Liability Company Agreement of CFSI, each manager of CFS and each manager of CFSI agreed to cause CFS, CFSI and any of their respective subsidiaries, as the case may be, to designate at least three individuals, and such other greater number of individuals designated by MDC IV Liquidating Trusts to serve as members of the board of managers of StoneMor Operating LLC; and to take such actions as may be necessary to cause the election of additional persons designated by MDC IV Liquidating Trusts as managers of StoneMor Operating LLC and to amend the limited liability

company agreement of StoneMor Operating LLC as necessary.

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Item 14. Principal Accounting Fees and Services

The following table sets forth the aggregate fees paid or accrued for professional services rendered by Deloitte & Touche LLP for the audit of our annual financial statements for fiscal years 2014 and 2013 and the aggregate fees paid or accrued for audit-related services and all other services rendered by Deloitte & Touche LLP for fiscal years 2014 and 2013.

	Year ended December 31,	
	2014	2013
Audit fees	$ 3,077,466	$ 2,257,724
Audit-related fees	8,613	306,263
Tax fees	775,040	1,099,334
	$ 3,861,119	$ 3,663,321

The category of Audit fees includes fees for our annual audit, quarterly reviews and services rendered in connection with regulatory filings with the SEC, such as the issuance of comfort letters and consents. The increase in fees in 2014 includes costs associated with the audit of significant acquisitions and transactions that occurred during the period.

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

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

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

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Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

(1) The following financial statements of StoneMor Partners L.P. are included in Part II, Item 8:
Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2014 and 2013

Consolidated Statement of Operations for the years ended December 31, 2014, 2013 and 2012

Consolidated Statement of Partners Capital (Deficit) for the years ended December 31, 2014, 2013 and 2012

Consolidated Statement of Cash Flows for the years ended December 31, 2014, 2013, and 2012

Notes to the Consolidated Financial Statements

(c) Exhibits

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

10.1.1* Second Amended and Restated Credit Agreement, dated April 29, 2011, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on May 5, 2011).

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Exhibit Number	Description
10.1.2*	First Amendment to Second Amended and Restated Credit Agreement, dated August 4, 2011, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2011).
10.1.3*	Second Amendment to Second Amended and Restated Credit Agreement, dated October 28, 2011, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on November 3, 2011).
10.1.4*	Third Amended and Restated Credit Agreement, dated January 19, 2012, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on January 24, 2012).
10.1.5*	First Amendment to Third Amended and Restated Credit Agreement, dated February 19, 2013, by and among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on February 22, 2013).
10.1.6*	Second Amendment to Third Amended and Restated Credit Agreement, as amended, dated May 8, 2013, by and among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on May 13, 2013).
10.1.7*	Third Amendment to Third Amended and Restated Credit Agreement and Security Documents, dated June 18, 2013, by and among StoneMor Operating LLC, its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on June 21, 2013).
10.1.8*	Fourth Amendment to Third Amended and Restated Credit Agreement, dated May 22, 2014, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, its Subsidiaries, the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K filed on May 23, 2014).
10.1.9*	Joinder to Amended and Restated Credit Agreement, dated June 10 2014, by and among Kirk & Nice, Inc., Kirk & Nice Suburban Chapel, Inc. and the other Credit Parties named therein in favor of the Lenders and Bank of America, N.A. as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Secured Parties, as Swing Line Lender and as L/C Issuer (incorporated by reference to Exhibit 10.4 to the Registrant s Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2014).
10.10*	

Fourth Amended and Restated Credit Agreement, dated December 19, 2014, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on December 23, 2014).

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Exhibit Number	Description
10.2*	Confirmation and Amendment Agreement, dated January 19, 2012, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P. and Bank of America, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on January 24, 2012).
10.3*	Amended and Restated Security Agreement, dated April 29, 2011, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Debtors listed therein and Bank of America, N.A. as Collateral Agent (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on May 5, 2011).
10.3.1*	Second Amended and Restated Security Agreement, dated December 19, 2014, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Debtors listed therein and Bank of America, N.A. as Collateral Agent (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K filed on December 23, 2014).
10.4*	Amended and Restated Pledge Agreement, dated April 29, 2011, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Pledgors listed therein and Bank of America, N.A. as administrative and collateral agent (incorporated by reference to Exhibit 10.3 of Registrant s Current Report on Form 8-K filed on May 5, 2011).
10.4.1*	Second Amended and Restated Pledge Agreement, December 19, 2014, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Pledgors listed therein and Bank of America, N.A. as administrative and collateral agent (incorporated by reference to Exhibit 10.3 to the Registrant s Current Report on Form 8-K filed on December 23, 2014).
10.5*	Purchase Agreement, dated November 18, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Banc of America Securities LLC, acting on behalf of itself and as the representative for the purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on November 24, 2009).
10.6*	Purchase Agreement, dated May 16, 2013, by and among StoneMor Partners L.P., Cornerstone Family Services of West Virginia Subsidiary, Inc., the subsidiary guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting on behalf of itself and as the representative for the initial purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on May 17, 2013).
10.7.1*	StoneMor Partners L.P. Long-Term Incentive Plan, as amended April 19, 2010 (incorporated by reference to Appendix A to Registrant s Definitive Proxy Statement filed on June 4, 2010).
10.7.1.1*	StoneMor Partners L.P. 2014 Long-Term Incentive Plan (incorporated by reference to Appendix A to Registrant s Definitive Proxy Statement filed on October 9, 2014).
10.7.2*	Form of the Director Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on November 15, 2006).
10.7.3*	Form of the Key Employee Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on November 15, 2006).

10.7.4*	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 27, 2006 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on December 1, 2006).

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Exhibit Number	Description
10.7.5*	Director Restricted Phantom Unit Agreement by and between StoneMor GP LLC and Robert Hellman dated June 23, 2009 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on June 23, 2009).
10.7.6*	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on December 22, 2009).
10.7.7*	Form of the Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on December 22, 2009).
10.7.8*	Director Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.8 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2009).
10.7.9*	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of April 2, 2012 (incorporated by reference to Exhibit 10.2 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2012).
10.7.10*	Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 7, 2012 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on November 13, 2012).
10.7.11*	Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of October 22, 2013 (incorporated by reference to Exhibit 10.7.11 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2013).
10.7.12	Form of Director Restricted Phantom Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of November 11, 2014.
10.8.1*	Employment Agreement by and between StoneMor GP LLC and Lawrence Miller, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.8.2*	Addendum to Employment Agreement between StoneMor GP LLC and Lawrence Miller, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on November 19, 2007).
10.8.3*	Amended and Restated Employment Agreement, executed July 22, 2013 and retroactive to January 1, 2013, by and between StoneMor GP, LLC and Lawrence Miller (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on July 26, 2013).
10.9.1*	Employment Agreement by and between StoneMor GP LLC and William R. Shane, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.5 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.9.2*	Addendum to Employment Agreement between StoneMor GP LLC and William R. Shane, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on November 19, 2007).

10.9.3*	Employment Agreement, effective April 1, 2012, by and between StoneMor GP LLC and William Shane (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on April 2, 2012).
10.10.1*	Employment Agreement by and between StoneMor GP LLC and Michael L. Stache, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.7 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).

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Exhibit Number	Description
10.10.2*	Addendum to Employment Agreement between StoneMor GP LLC and Michael L. Stache, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.3 of Registrant s Current Report on Form 8-K filed on November 19, 2007).
10.11*	Employment Separation Agreement, executed on February 28, 2013, by and between StoneMor GP LLC and Paul Waimberg (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on March 1, 2013).
10.13.1*	Letter Agreement by and between David Meyers and StoneMor GP LLC (incorporated by reference to Exhibit 10.13.1 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2013).
10.13.2*	Confidentiality and Non-Compete Agreement by and between David Meyers and StoneMor GP LLC (incorporated by reference to Exhibit 10.13.2 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2013).
10.13.3*	Payback Agreement by and between David Meyers and StoneMor GP LLC (incorporated by reference to Exhibit 10.13.3 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2013).
10.14.1*	Form of Indemnification Agreement by and between StoneMor GP LLC and Lawrence Miller, Robert B. Hellman, Jr., Fenton R. Talbott, Martin R. Lautman, William Shane, Allen R. Freedman, effective September 20, 2004 (incorporated by reference to Exhibit 10.9 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.14.2*	Form of Indemnification Agreement by and between StoneMor GP LLC and Howard Carver and Peter Grunebaum, effective February 16, 2007 (incorporated by reference to Exhibit 10.9 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.15*	Asset Purchase and Sale Agreement, dated December 4, 2007, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement and by Cemetery Management Services of Ohio, L.L.C., and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement, as well as by SCI Ohio Funeral Services, Inc., and Alderwoods (Ohio) Cemetery Management, Inc. (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on December 7, 2007).
10.16*	Transition Agreement, dated December 7, 2007, by and among StoneMor Operating LLC, joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement, as defined therein, and SCI Funeral Services, Inc., joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on December 7, 2007).
10.17.1*	Amended and Restated Purchase Agreement by and among StoneMor Operating LLC, StoneMor Indiana LLC, StoneMor Indiana Subsidiary LLC, Ohio Cemetery Holdings, Inc., Ansure Mortuaries of Indiana, LLC, Memory Gardens Management Corporation, Forest Lawn Funeral Home Properties, LLC, Gardens of Memory Cemetery LLC, Gill Funeral Home, LLC, Garden View Funeral Home, LLC, Royal Oak Memorial Gardens of Ohio Ltd., Heritage Hills Memory Gardens of Ohio Ltd., Robert E. Nelms and Lynnette Gray, as receiver, dated April 2, 2010 (incorporated by reference to

Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on May 5, 2010).

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Exhibit Number	Description
10.17.2*	Amendment No. 1 to Amended and Restated Purchase Agreement by and among StoneMor Operating LLC, StoneMor Indiana LLC, StoneMor Indiana Subsidiary LLC, Ohio Cemetery Holdings, Inc., Ansure Mortuaries of Indiana, LLC, Memory Gardens Management Corporation, Forest Lawn Funeral Home Properties, LLC, Gardens of Memory Cemetery LLC, Gill Funeral Home, LLC, Garden View Funeral Home, LLC, Royal Oak Memorial Gardens of Ohio Ltd., Heritage Hills Memory Gardens of Ohio Ltd., Robert E. Nelms, Robert Nelms, LLC and Lynnette Gray, as receiver, dated June 21, 2010 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on June 25, 2010).
10.18*	Settlement Agreement by and among StoneMor Indiana LLC, StoneMor Operating LLC, StoneMor Partners L.P., Chapel Hill Associates, Inc., Chapel Hill Funeral Home, Inc., Covington Memorial Funeral Home, Inc., Covington Memorial Gardens, Inc., Forest Lawn Memorial Chapel Inc., Forest Lawn Memory Gardens Inc., Fred W. Meyer, Jr. by James R. Meyer as Special Administrator to the Estate of Fred W. Meyer, Jr., James R. Meyer, Thomas E. Meyer, Nancy Cade, and F.T.J. Meyer Associates, LLC dated June 21, 2010 (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on June 25, 2010).
10.19.1*	Omnibus Agreement by and among McCown De Leeuw & Co. IV, L.P., McCown De Leeuw & Co. IV Associates, L.P., MDC Management Company IV, LLC, Delta Fund LLC, Cornerstone Family Services LLC, CFSI LLC, StoneMor Partners L.P., StoneMor GP LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.4 of the Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.19.2*	Amendment No. 1 to Omnibus Agreement entered into on, and effective as of, January 24, 2011 by and among MDC IV Trust U/T/A November 30, 2010, MDC IV Associates Trust U/T/A November 30, 2010, Delta Trust U/T/A November 30, 2010 (successors respectively to McCown De Leeuw & Co. IV, L.P., a California limited partnership, McCown De Leeuw IV Associates, L.P., a California limited partnership, Delta Fund LLC, a California limited liability company, and MDC Management Company IV, LLC, a California limited liability company), Cornerstone Family Services LLC, a Delaware limited liability company, CFSI LLC, a Delaware limited liability company, StoneMor Partners L.P., a Delaware limited partnership, StoneMor GP LLC, a Delaware limited liability company, for itself and on behalf of the Partnership in its capacity as general partner of the Partnership, and StoneMor Operating LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to Registrant s Current Report on Form 8-K filed on January 28, 2011).
10.20*	Contribution, Conveyance and Assumption Agreement by and among StoneMor Partners L.P., StoneMor GP LLC, CFSI LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of the Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.22.1*	Lease Agreement, dated as of September 26, 2013, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC and StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P., solely in its capacity as guarantor (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on October 2, 2013).
10.22.2*	Amendment No. 1 to Lease Agreement, dated as of March 20, 2014, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC and StoneMor Pennsylvania Subsidiary LLC, the

Archdiocese of Philadelphia, and StoneMor Partners L.P., solely in its capacity as guarantor (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on March 26, 2014).

10.22.3* Amendment No. 2 to Lease Agreement, dated as of May 28, 2014, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P. (incorporated by reference to Exhibit 10.3 of the Registrant s Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2014).

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Exhibit Number	Description
10.23.1*	Asset Sale Agreement dated April 2, 2014, by and among StoneMor Operating LLC, StoneMor Florida LLC, StoneMor Florida Subsidiary LLC, StoneMor North Carolina LLC, StoneMor North Carolina Subsidiary LLC, StoneMor North Carolina Funeral Services, Inc., Loewen [Virginia] LLC, Loewen [Virginia] Subsidiary, Inc., Rose Lawn Cemeteries LLC, Rose Lawn Cemeteries Subsidiary, Incorporated, StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, CMS West Subsidiary LLC, S.E. Funeral Homes of Florida, LLC, S.E. Cemeteries of Florida, LLC, S.E. Combined Services of Florida, LLC, S.E. Cemeteries of North Carolina, Inc., S.E. Funeral Homes of North Carolina, Inc., Montlawn Memorial Park, Inc., S.E. Cemeteries of Virginia, LLC, SCI Virginia Funeral Services, Inc., George Washington Memorial Park, Inc., Sunset Memorial Park Company and S.E. Mid- Atlantic Inc. (incorporated by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K filed on April 8, 2014).
10.23.2*	Asset Sale Agreement dated April 2, 2014, by and among StoneMor Operating LLC, StoneMor North Carolina LLC, StoneMor North Carolina Subsidiary LLC, Laurel Hill Memorial Park LLC, Laurel Hill Memorial Park Subsidiary, Inc., StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, S.E. Cemeteries of North Carolina, Inc., Clinch Valley Memorial Cemetery, Inc., and S.E. Acquisition of Pennsylvania, Inc. (incorporated by reference to Exhibit 2.2 to the Registrant s Current Report on Form 8-K filed on April 8, 2014).
10.24*	Common Unit Purchase Agreement, dated as of May 19, 2014, by and between StoneMor Partners L.P. and American Cemeteries Infrastructure Investors, LLC (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on May 23, 2014).
21.1	Subsidiaries of Registrant.
23.1	Consent of Deloitte & Touche LLP.
31.1	Certification pursuant to Exchange Act Rule 13a-14(a) of Lawrence Miller, Chief Executive Officer President and Chairman of the Board of Directors.
31.2	Certification pursuant to Exchange Act Rule 13a-14(a) of Timothy K. Yost, Chief Financial Officer.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of Directors (furnished herewith).
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Timothy K. Yost, Chief Financial Officer (furnished herewith).
99.1*	Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 99.1 of Registrant s Current Report on Form 8-K filed on September 19, 2007).
99.2*	First Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 14, 2007 (incorporated by reference to Exhibit 99.2 of Registrant s Current Report on Form 8-K filed on September 19, 2007).
99.3*	Second Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of December 18, 2007 (incorporated by reference to Exhibit 99.2 of Registrant s Current Report on Form 8-K filed on December 28, 2007).

99.4*	Second Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of May 21, 2014, by StoneMor GP Holdings, LLC (incorporated by reference to Exhibit 99.1 to the Registrant s Current Report on Form 8-K filed on May 23, 2014).

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Exhibit Number	Description
101	Attached as Exhibit 101 to this report are the following Interactive Data Files formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013; (ii) Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012; (iii) Consolidated Statement of Partners Capital (Deficit); (iv) Consolidated Statement of Cash Flows for the years ended December 31, 2014, 2013 and 2012; and (v) Notes to the Consolidated Financial Statements. Users of this data are advised pursuant to Rule 401 of Regulation S-T that the information contained in the XBRL documents is unaudited and these are not the official publicly filed financial statements of StoneMor Partners L.P.

*** Incorporated by reference, as indicated**
Management contract, compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STONEMOR PARTNERS L.P.

By: StoneMor GP LLC, its General Partner

March 16, 2015

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

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

Signatures	Title	Date
/s/ Lawrence Miller Lawrence Miller (Principal Executive Officer)	Chief Executive Officer, President and Chairman of the Board	March 16, 2015
/s/ Timothy K. Yost Timothy K. Yost (Principal Financial Officer)	Chief Financial Officer and Secretary	March 16, 2015
/s/ William R. Shane William R. Shane	Director	March 16, 2015
/s/ Howard L. Carver Howard L. Carver	Director	March 16, 2015
/s/ Jonathan A. Contos Jonathan A. Contos	Director	March 16, 2015
/s/ Allen R. Freedman	Director	March 16, 2015

Allen R. Freedman		
/s/ Robert B. Hellman, Jr.	Director	March 16, 2015
Robert B. Hellman, Jr.		
/s/ Martin R. Lautman, Ph.D.	Director	March 16, 2015
Martin R. Lautman, Ph.D.		
/s/ Leo J. Pound	Director	March 16, 2015
Leo J. Pound		
/s/ Fenton R. Talbott	Director	March 16, 2015
Fenton R. Talbott		

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

Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2014).

4.3* Registration Rights Agreement, dated as of May 21, 2014, by and between StoneMor Partners L.P. and American Cemeteries Infrastructure Investors, LLC (incorporated by reference to Exhibit 4.1 to the Registrant s Current Report on Form 8-K filed on May 23, 2014).

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

Joinder to Amended and Restated Credit Agreement, dated June 10 2014, by and among Kirk & Nice, Inc., Kirk & Nice Suburban Chapel, Inc. and the other Credit Parties named therein in favor of the Lenders and Bank of America, N.A. as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Secured Parties, as Swing Line Lender and as L/C Issuer (incorporated by reference to Exhibit 10.4 to the Registrant s Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2014).

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Exhibit Number	Description
10.10*	Fourth Amended and Restated Credit Agreement, dated December 19, 2014, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on December 23, 2014).
10.2*	Confirmation and Amendment Agreement, dated January 19, 2012, among StoneMor Operating LLC, each of its Subsidiaries, StoneMor GP LLC, StoneMor Partners L.P. and Bank of America, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on January 24, 2012).
10.3*	Amended and Restated Security Agreement, dated April 29, 2011, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Debtors listed therein and Bank of America, N.A. as Collateral Agent (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on May 5, 2011).
10.3.1*	Second Amended and Restated Security Agreement, dated December 19, 2014, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Debtors listed therein and Bank of America, N.A. as Collateral Agent (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K filed on December 23, 2014).
10.4*	Amended and Restated Pledge Agreement, dated April 29, 2011, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Pledgors listed therein and Bank of America, N.A. as administrative and collateral agent (incorporated by reference to Exhibit 10.3 of Registrant s Current Report on Form 8-K filed on May 5, 2011).
10.4.1*	Second Amended and Restated Pledge Agreement, December 19, 2014, among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, the Subsidiary Pledgors listed therein and Bank of America, N.A. as administrative and collateral agent (incorporated by reference to Exhibit 10.3 to the Registrant s Current Report on Form 8-K filed on December 23, 2014).
10.5*	Purchase Agreement, dated November 18, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Banc of America Securities LLC, acting on behalf of itself and as the representative for the purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on November 24, 2009).
10.6*	Purchase Agreement, dated May 16, 2013, by and among StoneMor Partners L.P., Cornerstone Family Services of West Virginia Subsidiary, Inc., the subsidiary guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting on behalf of itself and as the representative for the initial purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on May 17, 2013).
10.7.1*	StoneMor Partners L.P. Long-Term Incentive Plan, as amended April 19, 2010 (incorporated by reference to Appendix A to Registrant s Definitive Proxy Statement filed on June 4, 2010).
10.7.1.1*	StoneMor Partners L.P. 2014 Long-Term Incentive Plan (incorporated by reference to Appendix A to Registrant s Definitive Proxy Statement filed on October 9, 2014).
10.7.2*	

Form of the Director Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on November 15, 2006).

10.7.3* Form of the Key Employee Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on November 15, 2006).

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Exhibit Number	Description
10.7.4*	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 27, 2006 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on December 1, 2006).
10.7.5*	Director Restricted Phantom Unit Agreement by and between StoneMor GP LLC and Robert Hellman dated June 23, 2009 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on June 23, 2009).
10.7.6*	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on December 22, 2009).
10.7.7*	Form of the Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on December 22, 2009).
10.7.8*	Director Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.8 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2009).
10.7.9*	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of April 2, 2012 (incorporated by reference to Exhibit 10.2 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2012).
10.7.10*	Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 7, 2012 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on November 13, 2012).
10.7.11*	Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of October 22, 2013 (incorporated by reference to Exhibit 10.7.11 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2013).
10.7.12	Form of Director Restricted Phantom Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of November 11, 2014.
10.8.1*	Employment Agreement by and between StoneMor GP LLC and Lawrence Miller, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.8.2*	Addendum to Employment Agreement between StoneMor GP LLC and Lawrence Miller, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on November 19, 2007).
10.8.3*	Amended and Restated Employment Agreement, executed July 22, 2013 and retroactive to January 1, 2013, by and between StoneMor GP, LLC and Lawrence Miller (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on July 26, 2013).
10.9.1*	Employment Agreement by and between StoneMor GP LLC and William R. Shane, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.5 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).

10.9.2* Addendum to Employment Agreement between StoneMor GP LLC and William R. Shane, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on November 19, 2007).

10.9.3* Employment Agreement, effective April 1, 2012, by and between StoneMor GP LLC and William Shane (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on April 2, 2012).

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Exhibit Number	Description
10.10.1*	Employment Agreement by and between StoneMor GP LLC and Michael L. Stache, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.7 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.10.2*	Addendum to Employment Agreement between StoneMor GP LLC and Michael L. Stache, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.3 of Registrant s Current Report on Form 8-K filed on November 19, 2007).
10.11*	Employment Separation Agreement, executed on February 28, 2013, by and between StoneMor GP LLC and Paul Waimberg (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on March 1, 2013).
10.13.1*	Letter Agreement by and between David Meyers and StoneMor GP LLC (incorporated by reference to Exhibit 10.13.1 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2013).
10.13.2*	Confidentiality and Non-Compete Agreement by and between David Meyers and StoneMor GP LLC (incorporated by reference to Exhibit 10.13.2 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2013).
10.13.3*	Payback Agreement by and between David Meyers and StoneMor GP LLC (incorporated by reference to Exhibit 10.13.3 of Registrant s Annual Report on Form 10-K for the year ended December 31, 2013).
10.14.1*	Form of Indemnification Agreement by and between StoneMor GP LLC and Lawrence Miller, Robert B. Hellman, Jr., Fenton R. Talbott, Martin R. Lautman, William Shane, Allen R. Freedman, effective September 20, 2004 (incorporated by reference to Exhibit 10.9 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.14.2*	Form of Indemnification Agreement by and between StoneMor GP LLC and Howard Carver and Peter Grunebaum, effective February 16, 2007 (incorporated by reference to Exhibit 10.9 of Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.15*	Asset Purchase and Sale Agreement, dated December 4, 2007, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement and by Cemetery Management Services of Ohio, L.L.C., and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement, as well as by SCI Ohio Funeral Services, Inc., and Alderwoods (Ohio) Cemetery Management, Inc. (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on December 7, 2007).
10.16*	Transition Agreement, dated December 7, 2007, by and among StoneMor Operating LLC, joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement, as defined therein, and SCI Funeral Services, Inc., joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on December 7, 2007).
10.17.1*	Amended and Restated Purchase Agreement by and among StoneMor Operating LLC, StoneMor Indiana LLC, StoneMor Indiana Subsidiary LLC, Ohio Cemetery Holdings, Inc., Ansure Mortuaries of Indiana, LLC, Memory Gardens Management Corporation, Forest Lawn Funeral Home

Properties, LLC, Gardens of Memory Cemetery LLC, Gill Funeral Home, LLC, Garden View Funeral Home, LLC, Royal Oak Memorial Gardens of Ohio Ltd., Heritage Hills Memory Gardens of Ohio Ltd., Robert E. Nelms and Lynnette Gray, as receiver, dated April 2, 2010 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on May 5, 2010).

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Exhibit Number	Description
10.17.2*	Amendment No. 1 to Amended and Restated Purchase Agreement by and among StoneMor Operating LLC, StoneMor Indiana LLC, StoneMor Indiana Subsidiary LLC, Ohio Cemetery Holdings, Inc., Ansure Mortuaries of Indiana, LLC, Memory Gardens Management Corporation, Forest Lawn Funeral Home Properties, LLC, Gardens of Memory Cemetery LLC, Gill Funeral Home, LLC, Garden View Funeral Home, LLC, Royal Oak Memorial Gardens of Ohio Ltd., Heritage Hills Memory Gardens of Ohio Ltd., Robert E. Nelms, Robert Nelms, LLC and Lynnette Gray, as receiver, dated June 21, 2010 (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on June 25, 2010).
10.18*	Settlement Agreement by and among StoneMor Indiana LLC, StoneMor Operating LLC, StoneMor Partners L.P., Chapel Hill Associates, Inc., Chapel Hill Funeral Home, Inc., Covington Memorial Funeral Home, Inc., Covington Memorial Gardens, Inc., Forest Lawn Memorial Chapel Inc., Forest Lawn Memory Gardens Inc., Fred W. Meyer, Jr. by James R. Meyer as Special Administrator to the Estate of Fred W. Meyer, Jr., James R. Meyer, Thomas E. Meyer, Nancy Cade, and F.T.J. Meyer Associates, LLC dated June 21, 2010 (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on June 25, 2010).
10.19.1*	Omnibus Agreement by and among McCown De Leeuw & Co. IV, L.P., McCown De Leeuw & Co. IV Associates, L.P., MDC Management Company IV, LLC, Delta Fund LLC, Cornerstone Family Services LLC, CFSI LLC, StoneMor Partners L.P., StoneMor GP LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.4 of the Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.19.2*	Amendment No. 1 to Omnibus Agreement entered into on, and effective as of, January 24, 2011 by and among MDC IV Trust U/T/A November 30, 2010, MDC IV Associates Trust U/T/A November 30, 2010, Delta Trust U/T/A November 30, 2010 (successors respectively to McCown De Leeuw & Co. IV, L.P., a California limited partnership, McCown De Leeuw IV Associates, L.P., a California limited partnership, Delta Fund LLC, a California limited liability company, and MDC Management Company IV, LLC, a California limited liability company), Cornerstone Family Services LLC, a Delaware limited liability company, CFSI LLC, a Delaware limited liability company, StoneMor Partners L.P., a Delaware limited partnership, StoneMor GP LLC, a Delaware limited liability company, for itself and on behalf of the Partnership in its capacity as general partner of the Partnership, and StoneMor Operating LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to Registrant s Current Report on Form 8-K filed on January 28, 2011).
10.20*	Contribution, Conveyance and Assumption Agreement by and among StoneMor Partners L.P., StoneMor GP LLC, CFSI LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of the Registrant s Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.22.1*	Lease Agreement, dated as of September 26, 2013, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC and StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P., solely in its capacity as guarantor (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on October 2, 2013).
10.22.2*	Amendment No. 1 to Lease Agreement, dated as of March 20, 2014, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC and StoneMor Pennsylvania Subsidiary LLC, the

Archdiocese of Philadelphia, and StoneMor Partners L.P., solely in its capacity as guarantor (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on March 26, 2014).

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Exhibit Number	Description
10.22.3*	Amendment No. 2 to Lease Agreement, dated as of May 28, 2014, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P. (incorporated by reference to Exhibit 10.3 of the Registrant s Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2014).
10.23.1*	Asset Sale Agreement dated April 2, 2014, by and among StoneMor Operating LLC, StoneMor Florida LLC, StoneMor Florida Subsidiary LLC, StoneMor North Carolina LLC, StoneMor North Carolina Subsidiary LLC, StoneMor North Carolina Funeral Services, Inc., Loewen [Virginia] LLC, Loewen [Virginia] Subsidiary, Inc., Rose Lawn Cemeteries LLC, Rose Lawn Cemeteries Subsidiary, Incorporated, StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, CMS West Subsidiary LLC, S.E. Funeral Homes of Florida, LLC, S.E. Cemeteries of Florida, LLC, S.E. Combined Services of Florida, LLC, S.E. Cemeteries of North Carolina, Inc., S.E. Funeral Homes of North Carolina, Inc., Montlawn Memorial Park, Inc., S.E. Cemeteries of Virginia, LLC, SCI Virginia Funeral Services, Inc., George Washington Memorial Park, Inc., Sunset Memorial Park Company and S.E. Mid- Atlantic Inc. (incorporated by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K filed on April 8, 2014).
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21.1	Subsidiaries of Registrant.
23.1	Consent of Deloitte & Touche LLP.
31.1	Certification pursuant to Exchange Act Rule 13a-14(a) of Lawrence Miller, Chief Executive Officer President and Chairman of the Board of Directors.
31.2	Certification pursuant to Exchange Act Rule 13a-14(a) of Timothy K. Yost, Chief Financial Officer.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of Directors (furnished herewith).
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Timothy K. Yost, Chief Financial Officer (furnished herewith).
99.1*	Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 99.1 of Registrant s Current Report on Form 8-K filed on September 19, 2007).
99.2*	First Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 14, 2007 (incorporated by reference to Exhibit 99.2 of Registrant s

Current Report on Form 8-K filed on September 19, 2007).

99.3* Second Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of December 18, 2007 (incorporated by reference to Exhibit 99.2 of Registrant s Current Report on Form 8-K filed on December 28, 2007).

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Exhibit Number	Description
99.4*	Second Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of May 21, 2014, by StoneMor GP Holdings, LLC (incorporated by reference to Exhibit 99.1 to the Registrant s Current Report on Form 8-K filed on May 23, 2014).
101	Attached as Exhibit 101 to this report are the following Interactive Data Files formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013; (ii) Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012; (iii) Consolidated Statement of Partners Capital (Deficit); (iv) Consolidated Statement of Cash Flows for the years ended December 31, 2014, 2013 and 2012; and (v) Notes to the Consolidated Financial Statements. Users of this data are advised pursuant to Rule 401 of Regulation S-T that the information contained in the XBRL documents is unaudited and these are not the official publicly filed financial statements of StoneMor Partners L.P.

*** Incorporated by reference, as indicated**
Management contract, compensatory plan or arrangement