STONEMOR PARTNERS LP
Form 10-Q
May 08, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from __________ to __________.

Commission File Number: 001-32270

STONEMOR PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware	**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)**

(215) 826-2800

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 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.

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 Exchange Act). Yes ¨ No x

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The number of the registrant s outstanding common units at May 1, 2015 was 29,259,424.

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Part I Financial Information

Item 1. Financial Statements

StoneMor Partners L.P.

Condensed Consolidated Balance Sheet

(in thousands)

(unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 6,397	$ 10,401
Accounts receivable, net of allowance	65,429	62,503
Prepaid expenses	3,107	4,708
Other current assets	24,613	24,266
Total current assets	99,546	101,878
Long-term accounts receivable, net of allowance	91,088	89,536
Cemetery property	339,821	339,848
Property and equipment, net of accumulated depreciation	99,569	100,391
Merchandise trusts, restricted, at fair value	488,007	484,820
Perpetual care trusts, restricted, at fair value	345,183	345,105
Deferred financing costs, net of accumulated amortization	8,707	9,089
Deferred selling and obtaining costs	102,904	97,795
Deferred tax assets	40	40
Goodwill	58,836	58,836
Intangible assets	68,441	68,990
Other assets	3,211	3,136
Total assets	$ 1,705,353	$ 1,699,464
Liabilities and partners capital		
Current liabilities:		
Accounts payable and accrued liabilities	$ 34,552	$ 35,382
Accrued interest	4,742	1,219
Current portion, long-term debt	1,664	2,251
Total current liabilities	40,958	38,852
Other long-term liabilities	1,237	1,292
Obligation for lease and management agreements, net	8,943	8,767

Long-term debt	297,184	285,378
Deferred cemetery revenues, net	661,877	643,408
Deferred tax liabilities	17,573	17,708
Merchandise liability	150,195	150,192
Perpetual care trust corpus	345,183	345,105
Total liabilities	1,523,150	1,490,702
Commitments and contingencies		
Partners capital (deficit)		
General partner deficit	(6,204)	(5,113)
Common partners, 29,259 and 29,204 units outstanding as of March 31, 2015 and December 31, 2014, respectively	188,407	213,875
Total partners capital	182,203	208,762
Total liabilities and partners capital	$ 1,705,353	$ 1,699,464

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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StoneMor Partners L.P.

Condensed Consolidated Statement of Operations

(in thousands, except per unit data)

(unaudited)

	Three months ended March 31, 2015	Three months ended March 31, 2014
Revenues:		
Cemetery		
Merchandise	$ 26,937	$ 26,068
Services	13,910	10,297
Investment and other	11,310	16,275
Funeral home		
Merchandise	7,075	5,052
Services	8,185	6,695
Total revenues	67,417	64,387
Costs and expenses:		
Cost of goods sold (exclusive of depreciation shown separately below):		
Perpetual care	1,667	1,391
Merchandise	5,416	6,113
Cemetery expense	16,265	13,329
Selling expense	13,910	11,189
General and administrative expense	9,329	7,645
Corporate overhead (including $272 and $271 in unit-based compensation for the three months ended March 31, 2015 and 2014, respectively)	8,734	7,456
Depreciation and amortization	2,952	2,368
Funeral home expense		
Merchandise	2,376	1,646
Services	5,593	4,787
Other	4,181	2,853
Acquisition related costs, net of recoveries	349	349
Total cost and expenses	70,772	59,126
Operating profit (loss)	(3,355)	5,261
Gain on acquisition		412
Interest expense	5,463	5,574
Net income (loss) before income taxes	(8,818)	99

Income tax expense (benefit)	65	(310)
Net income (loss)	$ (8,883)	$ 409
General partner s interest in net income (loss) for the period	$ (120)	$ 4
Limited partners interest in net income (loss) for the period	$ (8,763)	$ 405
Net income (loss) per limited partner unit (basic and diluted)	$ (.30)	$ .02
Weighted average number of limited partners units outstanding - basic	29,230	22,493
Weighted average number of limited partners units outstanding - diluted	29,230	22,787
Distributions declared per unit	$ .630	$ .600

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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StoneMor Partners L.P.

Condensed Consolidated Statement of

Partners Capital (Deficit)

(in thousands)

(unaudited)

	Partners Capital (Deficit)		
	Common Unit Holders	General Partner	Total
Balance, December 31, 2014	$ 213,875	$ (5,113)	$ 208,762
Issuance of common units	1,421		1,421
Compensation related to unit awards	272		272
Net loss	(8,763)	(120)	(8,883)
Cash distributions	(16,977)	(971)	(17,948)
Unit distributions	(1,421)		(1,421)
Balance, March 31, 2015	$ 188,407	$ (6,204)	$ 182,203

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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StoneMor Partners L.P.

Condensed Consolidated Statement of Cash Flows

(in thousands)

(unaudited)

	For the three months ended March 31, 2015	2014
Operating activities:		
Net income (loss)	$ (8,883)	$ 409
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Cost of lots sold	2,048	3,057
Depreciation and amortization	2,952	2,368
Unit-based compensation	272	271
Accretion of debt discounts	734	624
Gain on acquisition		(412)
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(5,196)	(3,168)
Allowance for doubtful accounts	719	705
Merchandise trust fund	(10,231)	(16,420)
Prepaid expenses	1,601	1,142
Other current assets	(348)	3,394
Other assets	(92)	(44)
Accounts payable and accrued and other liabilities	2,524	(9,564)
Deferred selling and obtaining costs	(5,109)	(2,803)
Deferred cemetery revenue	24,842	18,881
Deferred taxes (net)	(135)	(551)
Merchandise liability	155	(829)
Net cash provided by (used in) operating activities	5,853	(2,940)
Investing activities:		
Cash paid for cemetery property	(1,501)	(748)
Purchase of subsidiaries		(200)
Cash paid for property and equipment	(1,314)	(1,330)
Net cash used in investing activities	(2,815)	(2,278)
Financing activities:		
Cash distributions	(17,948)	(13,391)
Additional borrowings on long-term debt	20,335	17,000
Repayments of long-term debt	(9,395)	(55,504)
Proceeds from public offerings		53,178

Cost of financing activities		(34)		
Net cash provided by (used in) financing activities		(7,042)		1,283
Net decrease in cash and cash equivalents		(4,004)		(3,935)
Cash and cash equivalents - Beginning of period		10,401		12,175
Cash and cash equivalents - End of period	$	6,397	$	8,240
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest	$	1,176	$	1,423
Cash paid during the period for income taxes	$	66	$	
Non-cash investing and financing activities:				
Acquisition of assets by financing	$	137	$	30

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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 March 31, 2015, 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 unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All interim financial data is unaudited. However, in the opinion of management, the interim financial data as of March 31, 2015 and for the three months ended March 31, 2015 and 2014 includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The results of operations for interim periods are not necessarily indicative of the results of operations to be expected for a full year. The December 31, 2014 condensed consolidated balance sheet data was derived from audited financial statements included in the Company s 2014 Annual Report on Form 10-K (2014 Form 10-K), but does not include all disclosures required by GAAP, which are presented in the Company s 2014 Form 10-K.

Principles of Consolidation

The unaudited condensed 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 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.

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. On April 29, 2015, the Financial Accounting Standards Board issued for public comment a proposed update that would defer the effective date of ASU 2014-09 by one year. 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

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

In the second quarter of 2015, the Financial Accounting Standards Board issued Update No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), which changes the presentation of debt issuance costs. ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. The amendments in the update are effective for annual reporting periods beginning after December 15, 2015, including interim periods within those reporting periods. Early application is permitted. The 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 unaudited condensed 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 unaudited condensed 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 unaudited condensed 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 unaudited condensed consolidated balance sheet.

2. LONG-TERM ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

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

	As of	
	March 31, 2015	December 31, 2014
	(in thousands)	
Customer receivables	$ 200,643	$ 194,537
Unearned finance income	(20,911)	(20,360)
Allowance for contract cancellations	(23,215)	(22,138)
	156,517	152,039
Less: current portion, net of allowance	65,429	62,503
Long-term portion, net of allowance	$ 91,088	$ 89,536

Activity in the allowance for contract cancellations is as follows:

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	For the three months ended March 31, 2015	2014
	(in thousands)	
Balance - Beginning of period	$ 22,138	$ 20,275
Provision for cancellations	6,072	5,031
Charge-offs - net	(4,995)	(4,057)
Balance - End of period	$ 23,215	$ 21,249

There have been no changes to the Company s long-term accounts receivable accounting policies since the filing of the Company s 2014 Form 10-K.

3. CEMETERY PROPERTY

Cemetery property consists of the following:

	As of March 31, 2015	December 31, 2014
	(in thousands)	
Developed land	$ 79,134	$ 79,058
Undeveloped land	172,141	172,238
Mausoleum crypts and lawn crypts	78,518	78,524
Other land	10,028	10,028
Total	$ 339,821	$ 339,848

4. PROPERTY AND EQUIPMENT

Major classes of property and equipment follow:

	As of March 31, 2015	December 31, 2014
	(in thousands)	
Building and improvements	$ 108,615	$ 108,178
Furniture and equipment	50,019	49,290
	158,634	157,468
Less: accumulated depreciation	(59,065)	(57,077)
Property and equipment - net	$ 99,569	$ 100,391

Depreciation expense was $2.4 million and $2.0 million during the three months ended March 31, 2015 and 2014, respectively.

5. MERCHANDISE TRUSTS

At March 31, 2015, the Company s merchandise trusts consisted of the following types of assets:

Money market funds that invest in low risk short term securities;

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- 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 \$8.4 million and \$8.3 million of investments held in trust by the West Virginia Funeral Directors Association at March 31, 2015 and December 31, 2014, respectively, 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 March 31, 2015 and December 31, 2014 were as follows:

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As of March 31, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 31,591	$	$	$ 31,591
Fixed maturities:				
U.S. State and local government agency	65	15		80
Corporate debt securities	12,566	67	(376)	12,257
Other debt securities	7,182		(8)	7,174
Total fixed maturities	19,813	82	(384)	19,511
Mutual funds - debt securities	246,768	978	(9,047)	238,699
Mutual funds - equity securities	129,452	2,772	(1,578)	130,646
Equity securities	54,888	3,500	(4,336)	54,052
Other invested assets	5,469		(343)	5,126
Total managed investments	$ 487,981	$ 7,332	$ (15,688)	$ 479,625
West Virginia Trust Receivable	8,382			8,382
Total	$ 496,363	$ 7,332	$ (15,688)	$ 488,007

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

The contractual maturities of debt securities as of March 31, 2015 are presented below:

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As of March 31, 2015	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	$	$ 18	$ 60	$ 2
Corporate debt securities		7,052	5,205	
Other debt securities	891	6,283		
Total fixed maturities	$ 891	$ 13,353	$ 5,265	$ 2

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.

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

As of March 31, 2015	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	$ 6,070	$ 214	$ 2,539	$ 162	$ 8,609	$ 376	46
Other debt securities	2,384	2	4,790	6	7,174	8	13
Total fixed maturities	8,454	216	7,329	168	15,783	384	59
Mutual funds - debt securities	87,042	617	132,090	8,430	219,132	9,047	28
Mutual funds - equity securities	49,100	1,578			49,100	1,578	4
Equity securities	26,285	3,671	3,511	665	29,796	4,336	56
Other invested assets			4,918	343	4,918	343	1
Total	$ 170,881	$ 6,082	$ 147,848	$ 9,606	$ 318,729	$ 15,688	148

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:							
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

There were 148 and 171 securities in an unrealized loss position in merchandise trusts as of March 31, 2015 and December 31, 2014, respectively, of which 38 and 39, 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.

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Other-Than-Temporary Impairment of Trust Assets

During the three months ended March 31, 2015, the Company determined that there were two securities with an aggregate cost basis of approximately $0.6 million and an aggregate fair value of approximately $0.4 million, resulting in an impairment of $0.2 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.

During the three months ended March 31, 2014, the Company determined that there were no other than temporary impairments to the investment portfolio in the merchandise trusts.

A reconciliation of the Company s merchandise trust activities for the three months ended March 31, 2015 is presented below:

Fair Value at 12/31/2014	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss (1)	Taxes	Fees	Unrealized Change in Fair Value	Fair Value at 3/31/2015
				(in thousands)					
$484,820	16,540	(11,537)	3,874		5,702	(15)	(737)	(10,640)	$488,007

(1) Includes $3.9 million representing the net effect of other-than-temporary impairment charges and the release of previously realized impairment charges, as a result of sales and maturities of impaired securities.

The Company made net contributions into the trusts of approximately $5.0 million during the three months ended March 31, 2015. During the three months ended March 31, 2015, purchases and sales of securities available for sale included in trust investments were approximately $239.0 million and $239.1 million, respectively.

6. PERPETUAL CARE TRUSTS

At March 31, 2015, 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.

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

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As of March 31, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 30,012	$	$	$ 30,012
Fixed maturities:				
U.S. Government and federal agency	100	15		115
U.S. State and local government agency	27	1		28
Corporate debt securities	24,774	224	(782)	24,216
Other debt securities	371			371
Total fixed maturities	25,272	240	(782)	24,730
Mutual funds - debt securities	202,419	414	(4,777)	198,056
Mutual funds - equity securities	77,034	12,763	(40)	89,757
Equity securities	2,167	489	(35)	2,621
Other invested assets	7			7
Total	$ 336,911	$ 13,906	$ (5,634)	$ 345,183

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

The contractual maturities of debt securities as of March 31, 2015 were as follows:

As of March 31, 2015	Less than 1	1 year through 5 years	6 years through 10 years	More than 10

	year			years
		(in thousands)		
U.S. Government and federal agency	$	$ 115	$	$
U.S. State and local government agency	28			
Corporate debt securities	455	14,723	9,018	20
Other debt securities	371			
Total fixed maturities	$ 854	$ 14,838	$ 9,018	$ 20

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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 March 31, 2015 and December 31, 2014 is presented below:

As of March 31, 2015	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	$ 10,571	$ 516	$ 3,861	$ 266	$ 14,432	$ 782	55
Total fixed maturities	10,571	516	3,861	266	14,432	782	55
Mutual funds - debt securities	18,437	529	119,177	4,248	137,614	4,777	30
Mutual funds - equity securities	3,458	40			3,458	40	2
Equity securities	237	32	619	3	856	35	25
Total	$ 32,703	$ 1,117	$ 123,657	$ 4,517	$ 156,360	$ 5,634	112

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

There were 112 and 148 securities in an unrealized loss position in perpetual care trusts as of March 31, 2015 and December 31, 2014, respectively, of which 22 and 20, 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

During the three months ended March 31, 2015 and 2014, 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 three months ended March 31, 2015 is presented below:

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Fair Value at 12/31/2014	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss (1)	Taxes	Fees	Unrealized Change in Fair Value	Fair Value at 3/31/2015
				(in thousands)					
$345,105	6,478	(2,793)	3,649		15,699	(134)	(534)	(22,287)	$ 345,183

(1) Includes $12.0 million representing the net effect of other-than-temporary impairment charges and the release of previously realized impairment charges, as a result of sales and maturities of impaired securities.

The Company made net contributions into the trusts of approximately $3.7 million during the three months ended March 31, 2015. During the three months ended March 31, 2015, purchases and sales of securities available for sale included in trust investments were approximately $233.9 million and $230.7 million, respectively.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in acquisitions.

There have been no changes in the goodwill balance during the period and a summary by reportable segment is as follows:

	Cemeteries			Funeral Homes	Total
	Southeast	Northeast	West		
		(in thousands)			
Goodwill as of March 31, 2015 and December 31, 2014	$ 8,950	$ 3,288	$ 11,948	$ 34,650	$ 58,836

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 unaudited condensed consolidated statement of operations. The major classes of intangible assets are as follows:

	As of March 31, 2015			As of December 31, 2014		
	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	$ (830)	$ 58,928	$ 59,758	$ (581)	$ 59,177

Underlying contract value	6,239	(897)	5,342	6,239	(858)	5,381
Non-compete agreements	5,250	(2,375)	2,875	5,250	(2,126)	3,124
Other intangible assets	1,439	(143)	1,296	1,439	(131)	1,308
Total intangible assets	$ 72,686	$ (4,245)	$ 68,441	$ 72,686	$ (3,696)	$ 68,990

See Note 7 of the Company s 2014 Form 10-K for a discussion of the Company s intangible assets, including its contract-based intangible asset pertaining to the lease and management agreements with the Archdiocese of Philadelphia.

8. LONG-TERM DEBT

The Company had the following outstanding debt:

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	As of	
	March 31, 2015	December 31, 2014
	(in thousands)	
7.875% Senior Notes, due June 2021	$ 175,000	$ 175,000
Credit Facility, due December 2019:		
Working Capital Draws	97,902	85,902
Acquisition Draws	25,000	25,000
Notes payable - acquisition debt	819	861
Notes payable - acquisition non-competes	2,396	2,765
Insurance and vehicle financing	1,121	1,632
Total	302,238	291,160
Less current portion	1,664	2,251
Less unamortized bond and note payable discounts	3,390	3,531
Long-term portion	$ 297,184	$ 285,378

This note includes a summary of material terms of the Company s senior notes and revolving credit facility. For a more detailed description of the Company s long-term debt agreements, see the Company s 2014 Form 10-K.

7.875% Senior Notes due 2021

On May 28, 2013, the Company issued $175.0 million aggregate principal amount of 7.875% Senior Notes due 2021 (the Senior Notes). The Company pays 7.875% interest per annum on the principal amount of the Senior Notes, payable in cash semi-annually in arrears on June 1 and December 1 of each year, since December 1, 2013. The net proceeds from the offering were used to retire a $150.0 million aggregate principal amount of 10.25% Senior Notes due 2017 and the remaining proceeds were used for general corporate purposes. The Senior Notes were issued at 97.832% of par resulting in gross proceeds of $171.2 million with an original issue discount of approximately $3.8 million. The Company incurred debt issuance costs and fees of approximately $4.6 million. These costs and fees are deferred and are amortized over the life of the Senior Notes. Based on trades made on March 31, 2015, the Company has estimated the fair value of its Senior Notes to be in excess of par and trading at a premium of 4.94%, which would imply a fair value of $183.6 million at March 31, 2015. 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. As of March 31, 2015, the Company was in compliance with all applicable covenants of the Senior Notes.

Credit Facility

On December 19, 2014, the Partnership entered into the Fourth Amended and Restated Credit Agreement (the Credit Agreement).

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 Credit Agreement is set forth below. Capitalized terms, which are not defined in the following description, shall have the meaning assigned to such terms in the Credit Agreement.

At March 31, 2015, amounts outstanding under the Credit Facility bore interest at rates of approximately 3.5%. 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 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 3.75% and (ii) Base Rate Loans is 2.75% 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 $133.0 million at March 31, 2015.

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.

As of March 31, 2015, there were $122.9 million of outstanding borrowings under the Credit Facility. 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 March 31, 2015, 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.

9. INCOME TAXES

As of March 31, 2015, the Company s 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.

The Partnership is not 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. Neither the Partnership s financial reporting income, nor the cash distributions to unit-holders, can be used as a substitute for the detailed tax calculations that the Partnership must perform annually for its partners. Net income from the Partnership is not treated as passive income for federal income tax purposes. As a result, partners subject to the passive activity loss rules are not permitted to offset income from the Partnership with passive losses from other sources.

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 provision for income taxes for the three months ended March 31, 2015 and 2014 is based upon the estimated annual effective tax rates expected to be applicable to the Company for 2015 and 2014, respectively. The Company s effective tax rate differs from its statutory tax rate primarily because the Company s legal entity structure includes different tax filing entities, including a significant number of partnerships that are not subject to paying tax.

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.

10. DEFERRED CEMETERY REVENUES, NET

At March 31, 2015 and December 31, 2014, deferred cemetery revenues, net, consisted of the following:

	As of	
	March 31, 2015	**December 31, 2014**
	(in thousands)	
Deferred cemetery revenue	$ 477,420	$ 456,632
Deferred merchandise trust revenue	116,678	104,717
Deferred merchandise trust unrealized gains (losses)	(8,356)	2,284
Deferred pre-acquisition margin	139,344	140,378
Deferred cost of goods sold	(63,209)	(60,603)
Deferred cemetery revenues, net	$ 661,877	$ 643,408
Deferred selling and obtaining costs	$ 102,904	$ 97,795

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

11. 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 March 31, 2015, 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 $0.7 million and $0.6 million during the three months ended March 31, 2015 and 2014, respectively.

The operating leases will result in future payments in the following approximate amounts from March 31, 2015 and beyond:

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		(in thousands)
2015	$	2,000
2016		2,444
2017		2,305
2018		1,912
2019		1,726
2020		613
Thereafter		1,744
Total	$	12,744

Other

See Note 13 of the Company s 2014 Form 10-K for a discussion of the Company s future commitments related to its agreements with the Archdiocese of Philadelphia.

12. PARTNERS CAPITAL

The table below reflects the activity relating to the number of common units outstanding for the three months ended March 31, 2015:

	Three months ended March 31, 2015
Outstanding, beginning of period	29,203,595
Unit distributions	54,622
Unit-based compensation	1,148
Outstanding, end of period	29,259,365

Unit-Based Compensation

The Company has issued to certain key employees, management, and directors unit-based compensation in the form of unit appreciation rights and restricted phantom partnership units.

Compensation expense recognized related to unit appreciation rights and restricted phantom unit awards for the three months ended March 31, 2015 and 2014 are summarized in the table below:

	Three months ended March 31,			
	2015		2014	
	(in thousands)			
Unit appreciation rights	$	21	$	19
Restricted phantom units		251		252

Total unit-based compensation expense	$ 272	$ 271

As of March 31, 2015, there was approximately $0.1 million in non-vested unit appreciation rights expense outstanding. These unit appreciation rights will be expensed through 2018.

The diluted weighted average number of limited partners units outstanding presented on the unaudited condensed consolidated statement of operations does not include 185,194 units for the three months ended March 31, 2015, as their effects would be anti-dilutive.

During the three months ended March 31, 2015, 1,148 common units were issued under the StoneMor Partners L.P. Long-Term Incentive Plans. See Note 11 of the Company s 2014 Form 10-K for a description of the Company s Long-Term Incentive Plans.

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Other Unit Issuances

Pursuant to a Common Unit Purchase Agreement, dated May 19, 2014, by and between the Company and American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company (ACII), the Company issued 54,622 common units to ACII in lieu of a cash distribution of approximately $1.4 million on February 16, 2015. Refer to the Company s 2014 Form 10-K, Note 17, for a detailed discussion of the Common Unit Purchase Agreement.

13. ACQUISITIONS

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.

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

If the acquisition noted above had been consummated at the beginning of the comparable prior annual reporting period, on a pro forma basis, for the three months ended March 31, 2015 and 2014, consolidated revenues, consolidated net income (loss), and net income (loss) per limited partner unit (basic and diluted) would have been as follows:

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	Three months ended March 31, 2015	2014
	(in thousands, except per unit data)	
Revenue	$ 67,417	$ 64,398
Net income (loss)	(8,883)	(2)
Net income (loss) per limited partner unit (basic and diluted)	$ (.30)	$

These pro forma results are unaudited, have been prepared for comparative purposes only, and may 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 this acquisition been in effect at the beginning of the comparable prior annual reporting period or of future results of operations of the location.

The property acquired in the first quarter of 2014 has contributed less than $0.1 million of revenue and operating profit for both the three months ended March 31, 2015 and the three months ended March 31, 2014.

Other 2014 Acquisitions and Agreements

See Note 13 of the Company s 2014 Form 10-K for a discussion of the Company s other 2014 acquisitions and its agreements with the Archdiocese of Philadelphia. There have been no changes during the period to assessments of the fair value of net assets acquired in the other 2014 acquisitions. Those amounts may be retrospectively adjusted as additional information is received.

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.

Segment information is as follows:

As of and for the three months ended March 31, 2015:

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	Southeast	Cemeteries Northeast	West	Funeral Homes (in thousands)	Corporate	Adjustment	Total
Revenues							
Sales	$ 24,290	$ 12,485	$ 10,695	$	$	$ (17,526)	$ 29,944
Service and other	11,886	8,759	9,000			(7,432)	22,213
Funeral home				17,415		(2,155)	15,260
Total revenues	36,176	21,244	19,695	17,415		(27,113)	67,417
Costs and expenses							
Cost of sales	5,268	2,329	2,140			(2,654)	7,083
Cemetery	6,834	5,853	3,578				16,265
Selling	9,147	5,005	4,152		200	(4,594)	13,910
General and administrative	4,670	2,540	2,119				9,329
Corporate overhead					8,734		8,734
Depreciation and amortization	800	607	499	799	247		2,952
Funeral home				12,611		(461)	12,150
Acquisition related costs, net of recoveries					349		349
Total costs and expenses	26,719	16,334	12,488	13,410	9,530	(7,709)	70,772
Operating profit (loss)	$ 9,457	$ 4,910	$ 7,207	$ 4,005	$ (9,530)	$ (19,404)	$ (3,355)
Total assets	$ 645,407	$ 428,673	$ 444,411	$ 165,828	$ 21,034	$	$ 1,705,353
Amortization of cemetery property	$ 1,130	$ 485	$ 390	$	$	$ (417)	$ 1,588
Long lived asset additions	$ 1,505	$ 746	$ 497	$ 218	$ 84	$	$ 3,050
Goodwill	$ 8,950	$ 3,288	$ 11,948	$ 34,650	$	$	$ 58,836

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As of and for the three months ended March 31, 2014:

	Southeast	Cemeteries Northeast	West	Funeral Homes (in thousands)	Corporate	Adjustment	Total
Revenues							
Sales	$ 22,101	$ 7,410	$ 9,821	$	$	$ (10,458)	$ 28,874
Service and other	11,626	10,604	10,923			(9,387)	23,766
Funeral home				13,254		(1,507)	11,747
Total revenues	33,727	18,014	20,744	13,254		(21,352)	64,387
Costs and expenses							
Cost of sales	4,792	1,678	2,777			(1,743)	7,504
Cemetery	6,395	3,235	3,699				13,329
Selling	7,248	2,802	3,234		545	(2,640)	11,189
General and administrative	4,096	1,492	2,057				7,645
Corporate overhead					7,456		7,456
Depreciation and amortization	633	236	521	736	242		2,368
Funeral home				9,504		(218)	9,286
Acquisition related costs, net of recoveries					349		349
Total costs and expenses	23,164	9,443	12,288	10,240	8,592	(4,601)	59,126
Operating profit (loss)	$ 10,563	$ 8,571	$ 8,456	$ 3,014	$ (8,592)	$ (16,751)	$ 5,261
Total assets	$ 580,359	$ 318,937	$ 434,562	$ 135,819	$ 23,290	$	$ 1,492,967
Amortization of cemetery property	$ 1,251	$ 583	$ 1,223	$	$	$ (334)	$ 2,723
Long lived asset additions	$ 1,564	$ 442	$ 1,041	$ 57	$ 52	$	$ 3,156
Goodwill	$ 6,174	$	$ 11,948	$ 30,615	$	$	$ 48,737

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 unaudited condensed 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 unaudited condensed 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 unaudited condensed consolidated financial statements reflect Deferred Cemetery Revenue, Net, and Deferred Selling and Obtaining Costs on the unaudited condensed 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 unaudited condensed 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 March 31, 2015 and December 31, 2014.

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As of March 31, 2015

Merchandise Trust

	Level 1	Level 2 (in thousands)	Total
Assets			
Short-term investments	$ 31,591	$	$ 31,591
Fixed maturities:			
U.S. state and local government agency		80	80
Corporate debt securities		12,257	12,257
Other debt securities		7,174	7,174
Total fixed maturity investments		19,511	19,511
Mutual funds - debt securities	238,699		238,699
Mutual funds - equity securities - real estate sector	19,133		19,133
Mutual funds - equity securities - energy sector	12,815		12,815
Mutual funds - equity securities - MLP s	21,308		21,308
Mutual funds - equity securities - other	77,390		77,390
Equity securities:			
Master limited partnerships	25,224		25,224
Global equity securities	28,828		28,828
Other invested assets		5,126	5,126
Total	$ 454,988	$ 24,637	$ 479,625

Perpetual Care Trust

	Level 1	Level 2 (in thousands)	Total
Assets			
Short-term investments	$ 30,012	$	$ 30,012
Fixed maturities:			
U.S. government and federal agency	115		115
U.S. state and local government agency		28	28
Corporate debt securities		24,216	24,216
Other debt securities		371	371
Total fixed maturity investments	115	24,615	24,730

Mutual funds - debt securities	198,056		198,056
Mutual funds - equity securities - real estate sector	17,052		17,052
Mutual funds - equity securities - energy sector	20,424		20,424
Mutual funds - equity securities - MLP s	40,474		40,474
Mutual funds - equity securities - other	11,807		11,807
Equity securities:			
Master limited partnerships	988		988
Global equity securities	1,633		1,633
Other invested assets		7	7
Total	$ 320,561	$ 24,622	$ 345,183

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As of December 31, 2014

Merchandise Trust

	Level 1	Level 2 (in thousands)	Total
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

Perpetual Care Trust

	Level 1	Level 2 (in thousands)	Total
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

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.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The words we, us, our, StoneMor, the Partnership, the Company and similar words refer to StoneMor Partner and its subsidiaries.

This Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q, 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 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (2014 Form 10-K) 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 March 31, 2015, 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.

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. Revenues from cemetery operations accounted for approximately 77.4% and 81.8% of our total revenues during the three months ended March 31, 2015 and 2014, respectively. The change in the contribution to total revenues was primarily due to one large land sale from the first quarter of 2014. In addition, during the first quarter of 2015, we had reductions in investment income from our trusts, as well as higher contributions from our 2014 funeral home acquisitions.

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 unaudited condensed 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% for the three months ended March 31, 2015 and 2014.

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.

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 unaudited condensed 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 March 31, 2015, we owned and operated 98 funeral homes. These properties are located in 19 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. Our funeral home operations also include revenues related to the sale of term and final expense whole life insurance in markets where we do not own a funeral home, as well as pre-need whole life insurance in markets where we own a funeral home. Funeral home revenues accounted for approximately 22.6% of our total revenues during the three months ended March 31, 2015 as compared to 18.2% during the same period last year.

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.

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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.

Current Market Conditions and Economic Developments

As of March 31, 2015, the amortized cost of the assets in our merchandise trusts exceeded their market value by 1.7%, compared to December 31, 2014 when the market value of the assets exceeded their amortized cost by 0.5%. As of March 31, 2015, the market value of the assets in our perpetual care trusts exceeded their amortized cost by 2.5% as compared to December 31, 2014 when the market value of the assets exceeded their amortized cost by 9.7%. Changes in the cost to market ratios are due in part to the repositioning of assets within our merchandise and perpetual care trust portfolios.

As of March 31, 2015, 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 $122.9 million of borrowings under our credit facility, which expires in 2019. As of March 31, 2015, we had $57.1 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 March 31, 2015, we had approximately $97.9 million of working capital draws, which are limited to a borrowing formula of 85% of eligible account receivables. This limit was $133.0 million at March 31, 2015.

The aggregate values of pre-need and at-need contracts written were $78.3 million for the three months ended March 31, 2015 as compared to $63.7 million during the same period last year.

Impact 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 a non-GAAP financial measure and is primarily related to the current period value of contracts written, investment income from the merchandise and perpetual care trusts, and current expenses incurred.

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 3.43 at March 31, 2015 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 4.37 at March 31, 2015 compared to a minimum allowed ratio of 2.50.

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 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.

Critical Accounting Policies and Estimates

The unaudited condensed consolidated financial statements are prepared 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 at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods (see Note 1 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q). Our critical accounting policies are those that are both important to the portrayal of our financial condition and results of operations and require management s most difficult, subjective and complex judgment. These critical accounting policies are discussed in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of our 2014 Form 10-K. There have been no significant changes to our critical accounting policies since the filing of our 2014 Form 10-K.

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 unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

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 the 2014 Form 10-K for a more detailed discussion of our accounting policies under GAAP.

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Cemetery Segments

Cemetery Operations Southeast

Since January 1, 2014, we have acquired ten properties in our Cemetery Operations Southeast segment. The first acquisition 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 three months ended March 31, 2014, but are included in the results for the three months ended March 31, 2015. The acquisitions contributed approximately $3.4 million of the revenues and $2.4 million of the costs and expenses for the three months ended March 31, 2015, compared to less than $0.1 million of the revenues and costs and expenses for the three months ended March 31, 2014.

The table below compares the results of operations for our Cemetery Operations Southeast for the three months ended March 31, 2015 to the same period last year:

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	Three months ended March 31,			
	2015	2014	Change ($)	Change (%)
		(in thousands)		
		(non-GAAP)		
Total revenues	$ 36,176	$ 33,727	$ 2,449	7.3%
Total costs and expenses	26,719	23,164	3,555	15.3%
Operating profit	$ 9,457	$ 10,563	$ (1,106)	-10.5%

Revenues

The increase in revenues was primarily related to increases of $0.9 million in the value of pre-need contracts written, $1.7 million in the value of at-need contracts written and $0.3 million in interest and other income, partially offset by a reduction of $0.5 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 primarily related to:

A $0.5 million increase in the cost of goods sold primarily attributable to sales from the acquired properties and changes in product mix.

A $0.4 million increase in cemetery expenses due to an increase in labor costs.

A $1.9 million increase in selling expenses due to increases of $1.5 million in commissions and personnel costs, $0.3 million in advertising and marketing expenses and $0.1 million in travel expenses.

A $0.6 million increase in general and administrative expenses, primarily due to a $0.3 million increase in insurance costs and a $0.2 million increase in personnel costs.

A $0.2 million increase in depreciation expense.

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 three months ended March 31, 2014, but are included in the results for the three months ended March 31, 2015. These properties have contributed approximately $9.2 million of the revenues and $6.2 million of the costs and expenses of the segment for the three months ended March 31, 2015. In addition, in the first quarter of 2014 as noted below, we had one large land sale, which had a high profit margin and is the primary driver behind the decrease in operating profit period over period.

The table below compares the results of operations for our Cemetery Operations   Northeast for the three months ended March 31, 2015 to the same period last year:

	Three months ended March 31,			
	2015	2014	Change ($)	Change (%)
		(in thousands)		
		(non-GAAP)		
Total revenues	$ 21,244	$ 18,014	$ 3,230	17.9%
Total costs and expenses	16,334	9,443	6,891	73.0%
Operating profit	$ 4,910	$ 8,571	$ (3,661)	-42.7%

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Revenues

The increase in revenues was primarily related to increases of $4.2 million in the value of pre-need contracts written and $4.4 million in the value of pre-need contracts written, partially offset by decreases of $1.1 million in income from our trusts and $4.3 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. The decrease in other income was primarily related to one land sale that occurred during the first quarter of 2014.

Total costs and expenses

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

A $0.7 million increase in the cost of goods sold primarily attributable to sales from the acquired properties and changes in product mix.

A $2.6 million increase in cemetery expenses primarily due to increases of $2.1 million in labor costs, $0.3 million in repairs and maintenance expense, $0.1 million in utility and fuel costs and $0.1 million in real estate tax expense.

A $2.2 million increase in selling expenses attributable to a $1.8 million increase in commissions and personnel costs and a $0.4 million increase in advertising and marketing costs.

A $1.0 million increase in general and administrative expenses, primarily due to a $0.3 million increase in insurance costs, a $0.4 million increase in personnel costs and $0.1 million increase in professional fees, with the remaining increase in general office costs.

A $0.4 million increase in depreciation and amortization expense, $0.3 million of which was attributable to the 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 three months ended March 31, 2015 to the same period last year:

	Three months ended March 31,			
	2015	2014	Change ($)	Change (%)
	(in thousands)			
	(non-GAAP)			
Total revenues	$ 19,695	$ 20,744	$ (1,049)	-5.1%

Total costs and expenses	12,488	12,288	200	1.6%
Operating profit	$ 7,207	$ 8,456	$ (1,249)	-14.8%

Revenues

The decrease in revenues was primarily related to a decrease of $2.1 million in income from our trusts, which was partially offset by increases of $0.8 million in the value of pre-need contracts written, $0.1 million in the value of at-need contracts written and $0.2 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 $0.6 million decrease in the cost of goods sold primarily attributable to changes in product mix.

A $0.1 million decrease in cemetery expenses primarily related to a decrease in repair and maintenance costs.

A $0.9 million increase in selling expenses primarily related to commissions and personnel costs.

Funeral Homes Segment

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 no impact on the results for the three months

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ended March 31, 2014, but are included in the results for the three months ended March 31, 2015. The additions have contributed approximately $2.9 million of the revenues and $2.1 million of the costs and expenses of the segment for the three months ended March 31, 2015.

The table below compares the results of operations for our Funeral Homes segment for the three months ended March 31, 2015 to the same period last year:

	Three months ended March 31,			
	2015	2014	Change ($)	Change (%)
		(in thousands)		
			(non-GAAP)	
Total revenues	$ 17,415	$ 13,254	$ 4,161	31.4%
Total costs and expenses	13,410	10,240	3,170	31.0%
Operating profit	$ 4,005	$ 3,014	$ 991	32.9%

Revenues

The increase in revenues was primarily attributable to increases of $1.7 million in the value of pre-need contracts written, $2.1 million in the value of at-need contracts written, $0.1 million in other income and $0.3 million in insurance-related revenues.

Total costs and expenses

The net increase in costs and expenses was primarily attributable to increases of $1.0 million in personnel costs, $0.8 million in merchandise costs, $0.3 million in facility related costs, $0.3 million in other service and supplies expense, and $0.4 million in expenses related to insurance sales, with the remaining increase in other general costs and depreciation.

Corporate Segment

The table below compares expenses incurred by the Corporate segment for the three months ended March 31, 2015 to the same period last year:

	Three months ended March 31,			
	2015	2014	Change ($)	Change (%)
		(in thousands)	(non-GAAP)	
Selling, cemetery and general and administrative expenses	$ 200	$ 545	$ (345)	100.0%
Depreciation and amortization	247	242	5	2.1%
Acquisition related costs, net of recoveries	349	349		0.0%
Corporate expenses				

Corporate personnel expenses	3,711	3,243	468	14.4%
Other corporate expenses	5,023	4,213	810	19.2%
Total corporate overhead	8,734	7,456	1,278	17.1%
Total corporate expenses	$ 9,530	$ 8,592	$ 938	10.9%

The increase in corporate expenses was primarily driven by increases of $0.5 million in corporate personnel expenses, $0.2 million in both professional fees and information technology costs and $0.1 million in insurance costs, with the remaining increase in general corporate costs. These increases were partially offset by a $0.3 million decrease in selling expenses, primarily related to a reduction in compensation expense, with the remaining increase in general corporate 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 origination 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 three months ended March 31, 2015 as compared to the same period last year. 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 obtained the rights from the Archdiocese of Philadelphia to operate 13 cemetery properties. The results of operations for these properties have either less or no impact on the results for the three months ended March 31, 2014, but are included in the results for the three months ended March 31, 2015. These properties are contributing a significant portion of the increases to revenues and costs and expenses in the table below.

	Three months ended March 31, 2015 (in thousands)			Three months ended March 31, 2014 (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	$ 35,893	$ (15,231)	$ 20,662	$ 29,976	$ (9,268)	$ 20,708	$ (46)	-0.2%
At-need cemetery revenues	25,976	(2,658)	23,318	19,848	(1,225)	18,623	4,695	25.2%
Investment income from trusts	11,985	(7,449)	4,536	15,628	(9,651)	5,977	(1,441)	-24.1%
Interest income	2,200		2,200	2,007		2,007	193	9.6%
Funeral home revenues	17,415	(2,155)	15,260	13,254	(1,507)	11,747	3,513	29.9%
	1,061	380	1,441	5,026	299	5,325	(3,884)	-72.9%

Other cemetery revenues								
Total revenues	94,530	(27,113)	67,417	85,739	(21,352)	64,387	3,030	4.7%
Costs and expenses								
Cost of goods sold	9,737	(2,654)	7,083	9,247	(1,743)	7,504	(421)	-5.6%
Cemetery expense	16,265		16,265	13,329		13,329	2,936	22.0%
Selling expense	18,504	(4,594)	13,910	13,829	(2,640)	11,189	2,721	24.3%
General and administrative expense	9,329		9,329	7,645		7,645	1,684	22.0%
Corporate overhead	8,734		8,734	7,456		7,456	1,278	17.1%
Depreciation and amortization	2,952		2,952	2,368		2,368	584	24.7%
Funeral home expense	12,611	(461)	12,150	9,504	(218)	9,286	2,864	30.8%
Acquisition related costs, net of recoveries	349		349	349		349		0.0%
Total costs and expenses	78,481	(7,709)	70,772	63,727	(4,601)	59,126	11,646	19.7%
Operating profit (loss)	$ 16,049	$ (19,404)	$ (3,355)	$ 22,012	$ (16,751)	$ 5,261	$ (8,616)	-163.8%

Revenues

Pre-need cemetery revenues were $20.7 million for the three months ended March 31, 2015 and the same period last year. Comparing the two periods, there were offsetting $5.9 million increases in the value of cemetery contracts written and deferred revenue.

At-need cemetery revenues were $23.3 million for the three months ended March 31, 2015, an increase of $4.7 million, or 25.2%, as compared to $18.6 million during the same period last year. The increase was primarily caused by an increase of $6.1 million in the value of cemetery contracts written, partially offset by an increase of $1.4 million in deferred revenue.

Investment income from trusts was $4.5 million for the three months ended March 31, 2015, a decrease of $1.5 million, or 24.1%, as compared to $6.0 million during the same period last year. On a segment basis, we had a decrease of $3.6 million, which was offset by an adjustment of $2.1 million related to funds for which we have 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 $2.2 million for the three months ended March 31, 2015, an increase of $0.2 million, or 9.6%, as compared to $2.0 million during the same period last year, primarily due to an increase in accounts receivable.

Funeral home revenues were $15.3 million for the three months ended March 31, 2015, an increase of $3.6 million, or 29.9%, as compared to $11.7 million during the same period last year. The increase was primarily caused by an aggregate increase of $4.2 million from an increase the value of contracts written and other revenues, which was partially offset by an increase of $0.6 million in deferred revenue.

Other cemetery revenues were $1.4 million during the three months ended March 31, 2015 as compared to $5.3 million in the same period last year. The decrease was primarily related to one land sale that occurred during the first quarter of 2014.

Costs and Expenses

The cost of goods sold was $7.1 million for the three months ended March 31, 2015, a decrease of $0.4 million, or 5.6%, as compared to $7.5 million during the same period last year. The ratio of cost of goods sold to pre-need and at-need cemetery revenues was 16.1% during the three months ended March 31, 2015 as compared to 19.1% during the same period last year. The change in the ratio primarily relates to changes in product mix and the inclusion of the cost of property sold as part of a land sale that is presented within Other cemetery revenues in results for the three months ended March 31, 2014.

Cemetery expenses were $16.3 million during the three months ended March 31, 2015, an increase of $3.0 million, or 22.0%, compared to $13.3 million during the same period last year. Within this category, there were increases of $2.5 million in personnel costs largely due to newly acquired properties, $0.3 million in repairs and maintenance expense and a net $0.2 million increase in other cemetery expenses. 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 26.3% during the three months ended March 31, 2015 as compared to 26.8% during the same period last year.

Selling expenses were $13.9 million during the three months ended March 31, 2015, an increase of $2.7 million, or 24.3%, as compared to $11.2 million during the same period last year. The ratio of selling expenses to cemetery revenues was 31.6% during the three months ended March 31, 2015 as compared to 28.4% during the same period last year. This is largely due to segment based increases of $3.5 million in commissions and personnel costs, $0.8 million in advertising and marketing costs, $0.2 million in travel costs, and $0.2 million in other general selling costs, partially offset by a $2.0 million increase in deferred selling expenses. The 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 follow relatively consistent trends over the long-term.

General and administrative expenses were $9.3 million during the three months ended March 31, 2015, an increase of $1.7 million, or 22.0%, as compared to $7.6 million during the same period last year. The increase was due to increases of $0.7 million in both personnel costs and insurance costs and $0.2 million in professional fees, with the remaining increase in other general office 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 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 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 15.1% during the three months ended March 31, 2015 as compared to 15.3% during the same period last year.

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Total corporate overhead was $8.7 million for the three months ended March 31, 2015, an increase of $1.2 million, or 17.1% compared to $7.5 million during the same period last year. The increase was primarily driven by increases of $0.5 million in corporate personnel expenses, $0.2 million in both professional fees and information technology costs and $0.1 million in insurance costs, with the remaining increase in general corporate costs.

Depreciation and amortization was $3.0 million for the three months ended March 31, 2015, an increase of $0.6 million, or 24.7%, as compared to $2.4 million during the same period last year. The majority of the increase was attributable to acquired properties and amortization of the intangible assets relating to the lease and management agreements entered into in 2014.

Funeral home expenses were $12.2 million for the three months ended March 31, 2015, an increase of $2.9 million, or 30.8%, as compared to $9.3 million during the same period last year. The increase was primarily attributable to segment based increases of $1.0 million in personnel costs, $0.8 million in merchandise costs, $0.3 million in facility related costs, $0.3 million in other service and supplies expense, $0.4 million in expenses related to insurance sales, partially offset by a $0.2 million increase in deferred funeral home expenses, with the remaining increase in other general costs.

Acquisition related costs were $0.3 million for the three months ended March 31, 2015 and the same period last year. These costs may 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 unaudited condensed consolidated statement of operations below operating profit and above net income (loss).

The table below summarizes these items and the changes between the three months ended March 31, 2015 and 2014:

	Three months ended March 31,			
	2015	**2014**	**Change ($)**	**Change (%)**
		(in thousands)		
Gain on acquisition	$	$ 412	$ (412)	-100.0%
Interest expense	5,463	5,574	(111)	-2.0%
Income tax expense (benefit)	$ 65	$ (310)	$ 375	-121.0%

The gain on acquisition recorded during the three months ended March 31, 2014 relates to our first quarter 2014 acquisition. Refer to Note 13 of our unaudited condensed consolidated financial statements in Item 1 of this Form 10-Q for a more detailed discussion.

Interest expense was relatively consistent period over period. There was a decrease in interest expense on amounts outstanding under the credit facility, primarily due to a reduction in interest rates. This decrease was partially offset by an increase in discount accretion expense, primarily relating to the obligation for the lease and management agreements entered into in 2014 with the Archdiocese of Philadelphia. Average amounts outstanding under the credit facility were $125.0 million and $100.6 million during the three months ended March 31, 2015 and 2014, respectively.

We had an income tax expense of $0.1 million for the three months ended March 31, 2015, as compared to an income tax benefit of $0.3 million during the same period last year. Our effective tax rate differs from our statutory tax rate primarily because our legal entity structure includes different tax filing entities, including a significant number of partnerships that are not subject to paying tax.

Supplemental Data

The following table presents supplemental operating data for the periods presented:

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	Three months ended March 31, 2015	Three months ended March 31, 2014
Operating Data:		
Interments performed	14,612	11,313
Cemetery revenues per interment performed	$ 3,569	$ 4,653
Interment rights sold (1):		
Lots	7,050	5,277
Mausoleum crypts (including pre-construction)	618	564
Niches	369	261
Net interment rights sold (1)	8,037	6,102
Number of contracts written	29,481	23,831
Aggregate contract amount, in thousands (excluding interest)	$ 78,304	$ 63,672
Average amount per contract (excluding interest)	$ 2,656	$ 2,672
Number of pre-need contracts written	13,701	11,928
Aggregate pre-need contract amount, in thousands (excluding interest)	$ 50,028	$ 41,762
Average amount per pre-need contract (excluding interest)	$ 3,651	$ 3,501
Number of at-need contracts written	15,780	11,903
Aggregate at-need contract amount, in thousands (excluding interest)	$ 28,276	$ 21,910
Average amount per at-need contract (excluding interest)	$ 1,792	$ 1,841

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

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.

Long-term Debt

7.875% Senior Notes due 2021

On May 28, 2013, we issued $175.0 million aggregate principal amount of 7.875% Senior Notes due 2021 (the Senior Notes). We pay 7.875% interest per annum on the principal amount of the Senior Notes, payable in cash semi-annually in arrears on June 1 and December 1 of each year, since December 1, 2013. The net proceeds from the 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

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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 are amortized over the life of the Senior Notes. As of March 31, 2015, we were in compliance with all applicable covenants of the Senior Notes.

Credit Facility

On December 19, 2014, we entered into the Fourth Amended and Restated Credit Agreement (the Credit Agreement).

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 Credit Agreement is set forth below. Capitalized terms, which are not defined in the following description, shall have the meaning assigned to such terms in the Credit Agreement.

At March 31, 2015, amounts outstanding under the Credit Facility bore interest at rates of approximately 3.5%. 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 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 3.75% and (ii) Base Rate Loans is 2.75% 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 March 31, 2015, 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.

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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.

Amounts outstanding under our Credit Facility fluctuated during the three months ended March 31, 2015 and 2014. At the beginning of 2014, we had $114.0 million outstanding on our Credit Facility. 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 repay $53.6 million of amounts outstanding on our Credit Facility, resulting in outstanding borrowings of $77.4 million at March 31, 2014. At the beginning of 2015, we had $110.9 million outstanding on our Credit Facility. During the first quarter of 2015, we increased our borrowings on the Credit Facility by a net $12.0 million resulting in outstanding borrowings of $122.9 million on our Credit Facility at March 31, 2015. The average amounts borrowed under our Credit Facility were $125.0 million and $100.6 million for the three months ended March 31, 2015 and 2014, respectively.

For a more detailed description of our long-term debt agreements, see our 2014 Form 10-K.

Cash Flow from Operating Activities

Net cash flows provided by operating activities were $5.9 million during the three months ended March 31, 2015, compared to net cash flows used in operating activities of $2.9 million during the same period last year. The key factors contributing to the net increase in cash flows were the decreased amount of cash we used to settle accounts payable and accrued liabilities and a decrease in inflows into our trusts. These increases in cash flow were partially offset by an increase in accounts receivable and less cash generated from normal revenue producing activities during the first quarter of 2015 compared to the same period in 2014.

Cash Flow from Investing Activities

Net cash used in investing activities was $2.8 million during the three months ended March 31, 2015 as compared to $2.3 million during the same period last year. Cash flows used for investing activities during the three months ended March 31, 2015 were for capital expenditures, while cash flows used for investing activities during the three months ended March 31, 2014 were $0.2 million for the acquisition of one cemetery and $2.1 million for capital expenditures.

Cash Flow from Financing Activities

Net cash flows used in financing activities were $7.0 million during the three months ended March 31, 2015 as compared to net cash provided of $1.3 million during the same period last year. Cash flows used in financing activities for the three months ended March 31, 2015 consisted of cash distributions to unit holders of $17.9 million, partially offset by approximately $10.9 million of net borrowings from our long-term debt. Cash flows provided by financing activities for the three months ended March 31, 2014 consisted of $53.2 million of proceeds from our follow-on public offering, partially offset by net repayments of long-term debt of $38.5 million, and cash distributions to unit holders of $13.4 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 unaudited condensed consolidated financial statements in Item 1 of Part I of this Form 10-Q and the construction of mausoleums for the periods presented:

	Three months ended March 31,	
	2015	**2014**
	(in thousands)	
Maintenance capital expenditures	$ 1,314	$ 1,330
Expansion capital expenditures	1,501	948
Total capital expenditures	$ 2,815	$ 2,278

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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.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The information presented below should be read in conjunction with the notes to our unaudited condensed consolidated financial statements included under Part I, Item 1. Financial Statements in this Quarterly Report on Form 10-Q.

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 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 March 31, 2015, the fair value of fixed-income securities in our merchandise trusts represented 4.0% of the fair value of total trust assets while the fair value of fixed-income securities in our perpetual care trusts represented 7.2% of the fair value of total trust assets. The aggregate quoted fair value of these fixed-income securities was $19.5 million and $24.7 million in merchandise trusts and perpetual care trusts, respectively, as of March 31, 2015. Each 1% change in interest rates on these fixed-income securities would result in changes of approximately $195,000 and $247,000 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 March 31, 2015, the fair value of money market and short-term investments in our merchandise trusts represented 6.5% 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 8.7% of the fair value of total trust assets. The aggregate quoted fair value of these money market and short-term investments was $31.6 million and $30.0 million in the merchandise trusts and perpetual care trusts, respectively, as of March 31, 2015. Each 1% change in interest rates on these money market and short-term investments would result in changes of approximately $316,000 and $300,000 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 March 31, 2015, the fair value of marketable equity securities in our merchandise trusts represented 11.1% of the fair value of total trust assets while the fair value of marketable equity securities in our perpetual care trusts represented 0.8% of total trust assets. The aggregate quoted fair market value of these marketable equity securities was $54.1 million and $2.6 million in our merchandise trusts and perpetual care trusts, respectively, as of March 31, 2015, 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 $5.4 million and $0.3 million in the fair market value of securities held in the merchandise trusts and perpetual care trusts, respectively. As of March 31, 2015, the fair value of marketable closed and open ended mutual funds in our merchandise trusts represented 75.7% of the fair value of total trust assets, 48.9% of which pertained to fixed-income mutual funds. As of March 31, 2015, the fair value of closed and open ended mutual funds in our perpetual care trusts represented 83.4% of total trust assets, 57.4% of which pertained to fixed-income mutual funds. The aggregate quoted fair market value of these closed and open ended mutual funds was $369.3 million and $287.8 million, respectively, in the merchandise trusts and perpetual care trusts as of March 31, 2015, based on final quoted sales prices, of which $238.7 million and $198.1 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 $36.9 million and $28.8 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. However, we are considering alternative strategies in light of current market conditions.

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 unaudited condensed 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 March 31, 2015, we had $122.9 million of borrowings outstanding under our Credit Facility. After these borrowings, our total available borrowing capacity under the Credit Facility is $57.1 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 March 31, 2015, we had approximately $97.9 million of working capital draws, which are limited to a borrowing formula of 85% of eligible account receivables. This limit was $133.0 million at March 31, 2015. The amounts outstanding under the Credit Facility bore interest at rates of approximately 3.5% at March 31, 2015.

Item 4. 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.

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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.

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 March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II Other Information

Item 1. 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 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in Part I, Item 1A. Risk Factors in our 2014 Form 10-K and other reports that we file with the SEC, which could materially affect our business, financial condition or future results.

The risks described in the 2014 Form 10-K and other reports that we file with the SEC are not the only risks we face. 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.

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by us described in our 2014 Form 10-K and other reports that we file with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities
None.

Item 4. Mine Safety Disclosures
None.

Item 5. Other Information
None.

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Item 6. Exhibits

Exhibit Number	Description
10.1	Form of Indemnification Agreement by and between StoneMor GP LLC and Leo J. Pound and Jonathan Contos, dated February 26, 2015.
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).
101	Attached as Exhibit 101 to this report are the following Interactive Data Files formatted in XBRL (eXtensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets as of March 31, 2015, and December 31, 2014; (ii) Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014; (iii) Unaudited Condensed Consolidated Statement of Partners Capital (Deficit); (iv) Unaudited Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2015 and 2014; and (v) Notes to the Unaudited Condensed Consolidated Financial Statements. Users of this data are advised 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.

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SIGNATURES

Pursuant to the requirements 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
May 8, 2015	/s/ Lawrence Miller Lawrence Miller Chief Executive Officer, President and Chairman of the Board of Directors (Principal Executive Officer)
May 8, 2015	/s/ Timothy K. Yost Timothy K. Yost Chief Financial Officer (Principal Financial Officer)

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