STONEMOR PARTNERS LP
Form 10-Q/A
November 09, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

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

For the quarterly period ended June 30, 2016

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.)**
3600 Horizon Boulevard Trevose, Pennsylvania	**19053**
(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 No

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

Indicate by check mark 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
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

The number of the registrant s outstanding common units at August 1, 2016 was 35,439,047.

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Explanatory Note

We are filing this Amendment No. 1 to our quarterly report on Form 10-Q (Form 10-Q/A) for the period ended June 30, 2016 which was originally filed on August 5, 2016 (Original Filing), to restate the Partnership s consolidated financial statements as of June 30, 2016 and December 31, 2015 and for both the three and six months ended June 30, 2016 and 2015, as well as the related notes included in the Original Filing (Restatement).

This Form 10-Q/A contains only Item 1 (Financial Statements), Item 2 (Management s Discussion and Analysis of Financial Condition and Results of Operations), Item 4 (Controls and Procedures) of Part I and Item 6 (Exhibits) of Part II , and items including information not affected by the Restatement have not been repeated in this Form 10-Q/A.

The Restatement corrects accounting errors related to:

1) The allocation of net loss to the General Partner and the limited partners for the purposes of determining the general partner s and limited partners capital accounts presented within Partners capital, and the corresponding effect on net loss per limited partner unit (basic and diluted) for each of the three and six months ended June 30, 2016 and 2015;

2) The presentation of certain components of Cemetery property , Property and equipment, net of accumulated depreciation , Deferred cemetery revenues, net , Merchandise liability , Accounts payable and accrued liabilities and Common limited partners interest as of June 30, 2016 and December 31, 2015;

3) The presentation of Cemetery merchandise revenues , Cemetery service revenues , and Cost of goods sold related to assumed performance obligations from acquisitions for each of the three and six months ended June 30, 2016 and 2015;

4) The recording of incorrect amounts of investment revenues and expenses related to merchandise and perpetual care trusts on the consolidated statement of operations and the incorrect tracking of perpetual care-trusting obligations on the consolidated balance sheets;

5) The recognition of incorrect amounts of revenue from deferred pre-acquisition contracts in the consolidated statements of operations based on inaccurate system inputs;

6) Other adjustments principally relating to the recognition, accuracy and/or classification of certain amounts in Deferred cemetery revenues, net , Merchandise liabilities , and Other current assets ; and

7) The corresponding effect of the foregoing accounting errors on the Partnership s income tax accounts, consolidated statement of partners capital, consolidated statement of cash flows, and the related notes thereto, disclosed in the Partnership s consolidated financial statements as of June 30, 2016 and 2015

and for each of the three and six months ended June 30, 2016 and 2015 included in Item 1 Financial Statements (unaudited) to this Form 10-Q/A.

Note 2, *Restatement of Previously Issued Consolidated Financial Statements,* in the Partnership s consolidated financial statements included in Item 1 provides further information regarding the Restatement. Item 4 Controls and Procedures to this Form 10-Q/A discloses the material weaknesses in the Partnership s internal controls associated with the Restatement, as well as management s conclusion that the Partnership s internal controls over financial reporting were not effective as of December 31, 2015 and June 30, 2016. As disclosed therein, management is currently evaluating the changes needed in the Partnership s internal controls over financial reporting to remediate these material weaknesses.

This Form 10-Q/A does not reflect events occurring after the filing of the Original Filing and does not substantively modify or update the disclosures therein other than as required to reflect the adjustments described above and to state our current address of principal executive offices on the cover page of Form 10-Q/A. See Note 2 to the accompanying consolidated financial statements, set forth in Item 1 of this Form 10-Q/A, for additional information.

We are also filing currently dated certifications from our Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, 32.1, and 32.2 to this Form 10-Q/A.

Unless the context otherwise requires, references to we, us, our, StoneMor, the Company, or the Partnership a StoneMor Partners L.P. and its subsidiaries.

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Part I Financial Information

ITEM 1. FINANCIAL STATEMENTS

STONEMOR PARTNERS L.P.

CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	June 30, 2016	December 31, 2015 (As restated - see Note 2)
Assets		
Current assets:		
Cash and cash equivalents	$ 9,436	$ 15,153
Accounts receivable, net of allowance	74,231	68,415
Prepaid expenses	7,037	5,367
Other current assets	21,823	22,241
Total current assets	112,527	111,176
Long-term accounts receivable, net of allowance	95,121	95,167
Cemetery property	333,859	334,457
Property and equipment, net of accumulated depreciation	114,790	116,127
Merchandise trusts, restricted, at fair value	494,596	464,676
Perpetual care trusts, restricted, at fair value	321,700	307,804
Deferred selling and obtaining costs	118,410	111,542
Deferred tax assets	181	181
Goodwill	70,572	69,851
Intangible assets	66,098	67,209
Other assets	18,341	16,167
Total assets	$ 1,746,195	$ 1,694,357
Liabilities and Partners Capital		
Current liabilities:		
Accounts payable and accrued liabilities	$ 33,660	$ 29,989
Accrued interest	1,473	1,503
Current portion, long-term debt	5,373	2,440
Total current liabilities	40,506	33,932
Long-term debt, net of deferred financing costs	277,854	316,399
Deferred revenues	868,194	815,421
Deferred tax liabilities	17,828	17,747

Perpetual care trust corpus	321,700	307,804
Other long-term liabilities	24,209	21,508
Total liabilities	1,550,291	1,512,811
Commitments and contingencies		
Partners Capital		
General partner interest	(632)	15
Common limited partners interests	196,536	181,531
Total partners capital	195,904	181,546
Total liabilities and partners capital	$ 1,746,195	$ 1,694,357

See Accompanying Notes to the Unaudited Consolidated Financial Statements.

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STONEMOR PARTNERS L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
		(As restated - see Note 2)		
Revenues:				
Cemetery:				
Merchandise	$ 37,855	$ 38,999	$ 70,623	$ 68,402
Services	13,676	15,367	27,139	29,924
Investment and other	12,012	16,653	26,387	27,926
Funeral home:				
Merchandise	6,569	6,250	14,025	13,325
Services	8,170	7,244	17,037	15,429
Total revenues	78,282	84,513	155,211	155,006
Costs and Expenses:				
Cost of goods sold	12,042	13,333	22,762	23,162
Cemetery expense	17,485	19,279	33,341	35,544
Selling expense	16,391	15,769	30,967	29,679
General and administrative expense	8,993	9,192	18,197	18,521
Corporate overhead	9,737	10,429	20,048	19,512
Depreciation and amortization	3,155	2,944	6,220	5,896
Funeral home expenses:				
Merchandise	1,835	2,066	3,984	4,442
Services	6,151	5,703	12,602	11,296
Other	4,746	4,380	9,886	8,561
Total cost and expenses	80,535	83,095	158,007	156,613
Operating income (loss)	(2,253)	1,418	(2,796)	(1,607)
Other gains (losses), net	(191)		(1,073)	
Interest expense	(5,707)	(5,770)	(11,497)	(11,233)
Loss before income taxes	(8,151)	(4,352)	(15,366)	(12,840)
Income tax benefit (expense)	(500)	(292)	(760)	(314)
Net loss	$ (8,651)	$ (4,644)	$ (16,126)	$ (13,154)
General partner s interest	$ 1,085	$ 899	$ 2,173	$ 1,584

Limited partners interest	$ (9,736)	$ (5,543)	$ (18,299)	$ (14,738)
Net loss per limited partner unit (basic and diluted)	$ (0.28)	$ (0.19)	$ (0.54)	$ (0.50)
Weighted average number of limited partners units outstanding (basic and diluted)	34,837	29,286	33,688	29,258

See Accompanying Notes to the Unaudited Consolidated Financial Statements.

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STONEMOR PARTNERS L.P.

CONSOLIDATED STATEMENT OF PARTNERS CAPITAL

(dollars in thousands)

(unaudited)

	Outstanding Common Units	Partners Capital Common Limited Partners	Partners Capital General Partner	Total
		(As restated - see Note 2)		
December 31, 2015	32,108,782	$ 181,531	$ 15	$ 181,546
Issuance of common units	3,203,682	77,345		77,345
Common unit awards under incentive plans	9,293	820		820
Net loss		(18,299)	2,173	(16,126)
Cash distributions		(41,883)	(2,820)	(44,703)
Unit distributions paid in kind	117,290	(2,978)		(2,978)
June 30, 2016	35,439,047	$ 196,536	$ (632)	$ 195,904

See Accompanying Notes to the Unaudited Consolidated Financial Statements.

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STONEMOR PARTNERS L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six months ended June 30, 2016	Six months ended June 30, 2015 (As restated - see Note 2)
Cash Flows From Operating Activities:		
Net loss	$ (16,126)	$ (13,154)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Cost of lots sold	4,443	4,917
Depreciation and amortization	6,220	5,896
Non-cash compensation expense	820	547
Non-cash interest expense	1,534	1,467
Other gains (losses), net	1,073	
Changes in assets and liabilities:		
Accounts receivable, net of allowance	(5,867)	(9,469)
Merchandise trust fund	(10,517)	(23,478)
Other assets	(3,740)	(4,352)
Deferred selling and obtaining costs	(6,868)	(7,483)
Deferred revenue	32,516	43,755
Deferred taxes (net)	81	(129)
Payables and other liabilities	4,890	5,458
Net cash provided by operating activities	8,459	3,975
Cash Flows From Investing Activities:		
Cash paid for capital expenditures	(7,504)	(7,250)
Cash paid for acquisitions	(1,500)	
Proceeds from asset sales	1,848	
Net cash used in investing activities	(7,156)	(7,250)
Cash Flows From Financing Activities:		
Cash distributions	(44,703)	(36,297)
Proceeds from borrowings	38,744	56,823
Repayments of debt	(75,247)	(14,215)
Proceeds from issuance of common units	74,537	
Cost of financing activities	(351)	(34)
Net cash provided by (used in) financing activities	(7,020)	6,277

Net increase (decrease) in cash and cash equivalents		(5,717)		3,002
Cash and cash equivalents - Beginning of period		15,153		10,401
Cash and cash equivalents - End of period	$	9,436	$	13,403
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest	$	9,994	$	9,551
Cash paid during the period for income taxes	$	2,325	$	3,516
Non-cash investing and financing activities:				
Acquisition of assets by financing	$	137	$	242

See Accompanying Notes to the Unaudited Consolidated Financial Statements.

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STONEMOR PARTNERS L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

1. GENERAL

Nature of Operations

StoneMor Partners L.P. (the Partnership) is a provider of funeral and cemetery products and services in the death care industry in the United States. As of June 30, 2016, the Partnership operated 307 cemeteries in 27 states and Puerto Rico, of which 276 are owned and 31 are operated under lease, management or operating agreements. The Partnership also owned and operated 107 funeral homes in 19 states and Puerto Rico.

Basis of Presentation

The accompanying consolidated financial statements, which are unaudited except for the balance sheet at December 31, 2015, which is derived from audited financial statements, are presented in accordance with the requirements of Form 10-Q and accounting principles generally accepted in the United States (GAAP) for interim reporting. They do not include all disclosures normally made in financial statements contained in Form 10-K. In management s opinion, all adjustments necessary for a fair presentation of the Partnership s financial position, results of operations and cash flows for the periods disclosed have been made. These interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto presented in Amendment No. 1 to the Partnership s Annual Report on Form 10-K/A for the year ended December 31, 2015. Certain amounts in the prior year s financial statements have been reclassified to conform to the current year presentation. The results of operations for the three and six months ended June 30, 2016 may not necessarily be indicative of the results of operations for the full year ending December 31, 2016.

Principles of Consolidation

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

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

New Accounting Pronouncements

In the second quarter of 2014, the Financial Accounting Standards Board (FASB) issued Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which supersedes the revenue recognition requirements in Topic 605 Revenue Recognition and most industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During the third quarter of 2015, Update No. 2015-14, Revenue from Contracts with Customers (Topic 606) was released, deferring the effective date of the amendments to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted, only as of an annual reporting period beginning after December 15, 2016. During the first quarter of 2016, Update No. 2016-08, Revenue from Contracts with Customers (Topic 606) was released, which clarifies the implementation guidance on principal versus agent considerations. During the second quarter of 2016, Update No. 2016-10, Revenue from Contracts with Customers (Topic 606) was released, which clarifies the implementation guidance on identifying performance obligations. The FASB also issued Update No. 2016-12, Revenue from Contracts with Customers (Topic 606) (ASU 2016-12). The core principle of ASU 2016-12 is to narrow scope improvements and practical expedients by clarifying the collectability criteria for customer collection exclusions representing an improvement over previous guidance. The Partnership will adopt the requirements of these updates upon the effective date of January 1, 2018, and is evaluating the potential impact of the adoption on its financial position, results of operations or related disclosures.

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

In the first quarter of 2016, the FASB issued Update No. 2016-02, Leases (Topic 842) (ASU 2016-02). The core principle of ASU 2016-02 is that all leases create an asset and a liability for lessees and recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The amendment is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Partnership plans to adopt the requirements of ASU 2016-02 upon its effective date of January 1, 2019, and is evaluating the potential impact of the adoption on its financial position, results of operations and related disclosures.

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

In 2015, the FASB issued Update No. 2015-07, Fair Value Measurement (Topic 820). The amendments in this update removed the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient. The entity adopted this guidance in the current period pertaining to its new investment funds (see Notes 6, 7 and 14).

Use of Estimates

The preparation of the Partnership s unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the unaudited consolidated financial statements, as well as the reported amounts of revenue and expense during the reporting periods. The Partnership s unaudited consolidated financial statements are based on a number of significant estimates, including revenue and expense accruals, depreciation and amortization, merchandise trusts and perpetual care trusts asset valuation, allowance for cancellations, unit-based compensation, deferred contract revenues, deferred merchandise trust investment earnings, deferred selling and obtaining costs, assets and liabilities obtained via business combinations and income taxes. As a result, actual results could differ from those estimates.

Net Income (Loss) per Common Unit

Basic net income (loss) attributable to common limited partners per unit is computed by dividing net income (loss) attributable to common limited partners, which is determined after the deduction of the general partner s interest, by the weighted average number of common limited partner units outstanding during the period. Net income (loss) attributable to common limited partners is determined by deducting net income attributable to participating securities, if applicable and net income (loss) attributable to the general partner s units. The general partner s interest in net income (loss) is

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calculated on a quarterly basis based upon its ownership interest and incentive distributions to be distributed for the quarter, with a priority allocation of net income to the general partner s incentive distributions, if any, in accordance with the partnership agreement, and the remaining net income (loss) allocated with respect to the general partner s and limited partners ownership interests.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Net loss	$ (8,651)	$ (4,644)	$ (16,126)	$ (13,154)
Less: Incentive distribution right (IDR) payments to general partner	1,195	975	2,387	1,786
Net loss to allocate to general and limited partners	(9,846)	(5,619)	(18,513)	(14,940)
General partner s interest excluding IDRs	(110)	(76)	(214)	(202)
Net loss attributable to common limited partners	$ (9,736)	$ (5,543)	$ (18,299)	$ (14,738)

Diluted net income (loss) attributable to common limited partners per unit is calculated by dividing net income (loss) attributable to common limited partners, less income allocable to participating securities, by the sum of the weighted average number of common limited partner units outstanding and the dilutive effect of unit appreciation rights and other awards, as calculated by the treasury stock or if converted methods, as applicable. These awards consist of common units issuable upon payment of an exercise price by the participant under the terms of the Partnership s long-term incentive plan (see Note 13).

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

	Three months ended June 30,	Six months ended June 30,

	2016	2015	2016	2015
Weighted average number of common limited partner units - basic	34,837	29,286	33,688	29,258
Add effect of dilutive incentive awards (1)				
Weighted average number of common limited partner units - diluted	34,837	29,286	33,688	29,258

(1) The diluted weighted average number of limited partners units outstanding presented on the consolidated statement of operations does not include 299,226 units and 193,172 units for the three months ended June 30, 2016 and 2015, respectively and 296,594 units and 187,758 units for the six months ended June 30, 2016 and 2015, as their effects would be anti-dilutive.

2. RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

Subsequent to the issuance of the Partnership s Form 10-Q for the period ended June 30, 2016, the Partnership determined that material adjustments were needed to correct certain accounting errors. Accordingly, the accompanying consolidated financial statements of the Partnership as of June 30, 2016 and December 31, 2015 and for each of the three and six months ended June 30, 2016 and 2015, and the related notes hereto, have been restated to correct these accounting errors (the Restatement). A summary of these accounting errors, and their effect on the Partnership s consolidated financial statements is, as follows:

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A. The Partnership allocates net loss to the General Partner and its limited partners for the purposes of determining the General Partner s and limited partners capital accounts within Partners capital , and to calculate net loss per limited partner unit (basic and diluted). However, the historical allocation of the Partnership s net losses did not appropriately consider available cash that had been (or will be) distributed to the separate class of nonvoting limited partner interest (the incentive distribution rights) held by the General Partner. While this misallocation had no impact on the Partnership s consolidated net loss for both the three and six months ended June 30, 2016 and 2015, the revised calculation to correctly allocate net losses increased the limited partners historical share of allocated net loss and decreased the General Partner s historical share of allocated net loss. As a result, the accompanying consolidated statement of operations and consolidated statement of partners capital have been restated to increase the limited partners share of allocated net loss and decrease the General Partner s share of allocated net loss by approximately $1.2 million and $1.0 million for the three months ended June 30, 2016 and 2015, respectively, and $2.4 million and $1.8 million for the six months ended June 30, 2016 and 2015. Accordingly, the accompanying consolidated statement of partner s capital has also been restated to decrease the limited partners share of partners capital, and increase the General Partner s share of partners capital by approximately $12.5 million and $10.2 million as of June 30, 2016 and December 31, 2015, respectively.

B. The Partnership had historically presented the cost component of its performance obligations as a liability referred to as Merchandise liability and the offset for these liabilities was recognized as a reduction in Deferred cemetery revenues, net in the Partnership s consolidated balance sheet. However, subsequent to the issuance of the Partnership s Form 10-Q for the period ended June 30, 2016, the Partnership determined that the correct presentation of these obligations is Deferred revenues , rather than a separate Merchandise liability . Accordingly, the accompanying consolidated balance sheet as of June 30, 2016 and December 31, 2015, has been restated to reclassify merchandise liabilities of approximately $170.0 million and $173.1 million as of June 30, 2016 and December 31, 2015, respectively, from Merchandise liability to Deferred revenue . The Partnership restated its financial statement line item presentation of Deferred cemetery revenues, net to Deferred revenues . Accordingly, the accompanying consolidated balance sheet as of June 30, 2016 and December 31, 2015 has been restated to reclassify approximately $695.1 million and $637.5 million as of June 30, 2016 and December 31, 2015, respectively, from Deferred cemetery revenue, net to Deferred revenue .

C. The Partnership had historically presented revenue related to assumed obligations from acquisitions on a net basis in the Partnership s consolidated statement of operations. However, subsequent to the issuance of the Partnership s Form 10-Q for the period ended June 30, 2016, the Partnership determined that the correct presentation of this revenue was on a gross basis. Accordingly, the accompanying consolidated statement of operations has been restated to present such revenue on a gross basis. This classification resulted in an increase in Cemetery merchandise revenues of approximately $0.8 million and $1.3 million for the three months ended June 30, 2016 and 2015, respectively, and $1.6 million and $2.5 million for the six months ended June 30, 2016 and 2015, respectively, an increase in Cemetery services revenue of approximately $0.3 million and $0.2 million for the three months ended June 30, 2016 and 2015, respectively, and $0.5 million and $0.3 million for the six months ended June 30, 2016 and 2015, respectively, and an increase Cost of goods sold of approximately $1.0 million and $1.5 million for the three months ended June 30, 2016 and 2015, respectively, and $2.0 million and $2.8 million for the six months ended June 30, 2016 and 2015, respectively.

D. The Partnership had historically recorded funeral home land from acquisitions within Cemetery property . However, subsequent to the issuance of the Partnership s Form 10-Q for the period ended June 30, 2016, the Partnership determined that such Funeral home land should be recorded within Property and equipment . This adjustment resulted in a decrease of $11.7 million and $11.8 million in Cemetery property as of June 30, 2016 and December 31, 2015, respectively, and a corresponding increase in Property and equipment . Additionally, the Partnership had historically recorded deferred cemetery property within Deferred cemetery revenues, net . However, subsequent to the issuance of the Partnership s Form 10-Q for the period ended June 30, 2016, the Partnership determined that such amounts should have been recorded within Cemetery property . This adjustment resulted in an increase in Cemetery property in the amount of $3.7 million and $3.6 million as of June 30, 2016 and December 31, 2015, respectively.

E. The Partnership had historically recorded the obligation for certain of the Partnership s outstanding phantom unit awards as liabilities. However, subsequent to the issuance of the Partnership s Form 10-Q for the period ended June 30, 2016, the Partnership determined that these awards are equity awards and should be classified as equity. Accordingly, the accompanying consolidated balance sheet as of June 30, 2016 and December 31, 2015, has been restated to adjust the awards as equity award, resulting in a $1.9 million increase to Common limited partners interest and a decrease for the same amount to Accounts payable and accrued liabilities as of June 30, 2016 and December 31, 2015.

F. The Partnership had historically recognized incorrect amounts of investment revenues and expenses related to its merchandise and perpetual care trusts on its consolidated statement of operations and was incorrectly tracking its perpetual care-trusting obligations on its consolidated balance sheets. Accordingly, the accompanying consolidated financial statements as of June 30, 2016 and 2015 and for both the three and six months ended June 30, 2016 and 2015 have been restated for these adjustments. The adjustments resulted in an increase in Deferred revenues of approximately $18.5 million and $17.9 million, a decrease in Partners Capital of approximately $26.5 million and $25.4 million, and an increase in Other long-term liabilities of approximately $8.0 million and $7.5 million as of June 30, 2016 and December 31, 2015, respectively. In addition, the correction of these accounting errors resulted in an increase in Investment and other revenues of $0.3 million in the three months ended June 30, 2016 and $0.2 million in the six months ended June 30, 2016, and an increase in Cost of goods sold of $0.7 million and $0.4 million for the three months ended June 30, 2016 and 2015, respectively, and $1.3 million and $0.7 million for the six months ended June 30, 2016 and 2015, respectively.

G. The Partnership had historically recognized incorrect amounts of revenue from deferred pre-acquisition contracts in its consolidated statement of operations based on inaccurate system inputs. Subsequent to the issuance of the Partnership s Form 10-Q for the period ended June 30, 2016, the Partnership determined that revenue recognition on such pre-acquisition revenue was understated. Accordingly, the accompanying consolidated financial statements for the three and six months ended June 30, 2016 and 2015 have been restated to reflect the correction of the system inputs. The adjustments resulted in a decrease in Deferred revenues and an increase in Partners Capital of $16.5 million as of June 30, 2016 and December 31, 2015 and an increase in Cemetery merchandise revenues of $0.4 million and $0.8 million for the three and six months ended June 30, 2015 and an increase in Cemetery services revenues of $0.1 million in the three and six months ended June 30, 2015.

H. Remaining adjustments principally relate to the recognition, accuracy and/or classification of certain amounts in Deferred cemetery revenues, net , Merchandise liabilities , and Other current assets , determined subsequent to the issuance of the Partnership s Form 10-Q for the period ended June 30, 2016. Accordingly, the accompanying consolidated financial statements as of June 30, 2016 and December 31, 2015, and for the three and six months ended June 30, 2016 and 2015 have been restated for these adjustments. The adjustments resulted in a decrease of $3.6 million and a decrease of $1.9 million in Deferred revenues as of June 30, 2016 and December 31, 2015, respectively. The adjustments also resulted in an increase in Cemetery merchandise revenues of $1.0 million and $1.2 million, an increase in Cemetery services revenues of $0.4 million and $0.6 million, and an increase in Cost of goods sold of $0.6 million and $1.6 million in the three months ended June 30, 2016, and 2015, respectively. The adjustments resulted in an increase in Cemetery merchandise revenues of $2.0 million and $2.2 million, an increase in Cemetery services revenues of $0.9 million and $1.0 million, and an increase in Cost of goods sold of $1.1 million and $2.9 million in the six months ended June 30, 2016, and 2015, respectively.

I. The Partnership calculated the effect on income taxes associated with the foregoing accounting errors and, as such, Income tax benefit (expense) within consolidated statement of operations was restated by $0.1 million for the three and six months ended June 30, 2015 and the Deferred tax liability within the consolidated balance sheets are restated by approximately $0.1 million as of June 30, 2016 and December 31, 2015.

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The effect of these adjustments on the Partnership s consolidated balance sheets, statements of operations, partners capital and cash flows for each of the three and six months ended June 30, 2016 and 2015, and as of June 30, 2016 and December 31, 2015 is summarized below for each affected caption:

		As of June 30, 2016			As of December 31, 2015		
	Reference	As Filed	Restatement Adjustments	As Restated	As Filed	Restatement Adjustments	As Restated
				(in thousands)			
Other current assets	H	$ 19,126	$ 2,697	$ 21,823	$ 18,863	$ 3,378	$ 22,241
Total current assets		109,830	2,697	112,527	107,798	3,378	111,176
Cemetery property	D	341,825	(7,966)	333,859	342,639	(8,182)	334,457
Property and equipment, net of accumulated depreciation	D	103,083	11,707	114,790	104,330	11,797	116,127
Deferred tax assets	I	40	141	181	40	141	181
Other assets	H	17,243	1,098	18,341	15,069	1,098	16,167
Total assets		1,738,518	7,677	1,746,195	1,686,125	8,232	1,694,357
Accounts payable and accrued liabilities	E	35,546	(1,886)	33,660	31,875	(1,886)	29,989
Total current liabilities		42,392	(1,886)	40,506	35,818	(1,886)	33,932
Deferred cemetery revenues, net	B	695,092	(695,092)		637,536	(637,536)	
Merchandise liability	B	169,974	(169,974)		173,097	(173,097)	
Deferred revenues	B, D, F, G, H		868,194	868,194		815,421	815,421
Deferred tax liabilities	I	17,914	(86)	17,828	17,833	(86)	17,747
Other long-term liabilities	F	16,168	8,041	24,209	13,960	7,548	21,508
Total liabilities		1,541,094	9,197	1,550,291	1,502,447	10,364	1,512,811
	A, F, G, H, I	(13,054)	12,422	(632)	(10,038)	10,053	15

General partner interest							
Common limited partners interest	A, E, F, G, H, I	210,478	(13,942)	196,536	193,716	(12,185)	181,531
Total partners capital		197,424	(1,520)	195,904	183,678	(2,132)	181,546
Total liabilities and partners capital		$ 1,738,518	$ 7,677	$ 1,746,195	$ 1,686,125	$ 8,232	$ 1,694,357

		Three months ended June 30,					
		2016			2015		
	Reference	As Filed	Restatement Adjustments	As Restated	As Filed	Restatement Adjustments	As Restated
		(in thousands, except per unit data)					
Cemetery revenues:							
Merchandise	C, G, H	$ 36,105	$ 1,750	$ 37,855	$ 36,042	$ 2,957	$ 38,999
Services	C, G, H	12,984	692	13,676	14,591	776	15,367
Investment and other	F	11,721	291	12,012	16,698	(45)	16,653
Total revenues		75,549	2,733	78,282	80,825	3,688	84,513
Cost of goods sold	C, F, H	9,737	2,305	12,042	9,807	3,526	13,333
Total cost and expenses		78,230	2,305	80,535	79,569	3,526	83,095
Operating income (loss)		(2,681)	428	(2,253)	1,256	162	1,418
Loss before income taxes		(8,579)	428	(8,151)	(4,514)	162	(4,352)
Income tax benefit (expense)	I	(500)		(500)	(334)	42	(292)
Net loss		(9,079)	428	(8,651)	(4,848)	204	(4,644)
General partner s interest for the period	A, F, G, H, I	(103)	1,188	1,085	(65)	964	899
Limited partners interest for the period	A, F, G, H, I	(8,976)	(760)	(9,736)	(4,783)	(760)	(5,543)
Net loss per limited partner unit (basic and diluted)	A, F, G, H, I	$ (0.26)	$ (0.02)	$ (0.28)	$ (0.16)	$ (0.03)	$ (0.19)

		Six months ended June 30,					
		2016			2015		
	Reference	As Filed	Restatement Adjustments	As Restated	As Filed	Restatement Adjustments	As Restated
		(in thousands, except per unit data)					
Cemetery revenues:							
Merchandise	C, G, H	$ 67,080	$ 3,543	$ 70,623	$ 62,979	$ 5,423	$ 68,402
Services	C, G, H	25,816	1,323	27,139	28,501	1,423	29,924
Investment and other	F	26,173	214	26,387	28,008	(82)	27,926
Total revenues		150,131	5,080	155,211	148,242	6,764	155,006
Cost of goods sold	C, F, H	18,294	4,468	22,762	16,890	6,272	23,162
Total cost and expenses		153,539	4,468	158,007	150,341	6,272	156,613

Operating income (loss)		(3,408)	612	(2,796)	(2,099)	492	(1,607)
Loss before income taxes		(15,978)	612	(15,366)	(13,332)	492	(12,840)
Income tax benefit (expense)	I	(760)		(760)	(399)	85	(314)
Net loss		(16,738)	612	(16,126)	(13,731)	577	(13,154)
General partner s interest for the period	A, F, G, H, I	(196)	2,369	2,173	(185)	1,769	1,584
Limited partners interest for the period	A, F, G, H, I	(16,542)	(1,757)	(18,299)	(13,546)	(1,192)	(14,738)
Net loss per limited partner unit (basic and diluted)	A, F, G, H, I	$ (0.49)	$ (0.05)	$ (0.54)	$ (0.46)	$ (0.04)	$ (0.50)

	Reference	Common Limited Partners	General Partner	Total	Common Limited Partners	General Partner	Total	Common Limited Partners	General Partner	Total
		As Filed			Restatement Adjustments (in thousands)			As Restated		
apital alance at ecember 31, 015	A, E, F, G, H, I	$ 193,716	$ (10,038)	$ 183,678	$ (12,185)	$ 10,053	$ (2,132)	$ 181,531	$ 15	$ 181,546
et loss	A, F, G, H	(16,542)	(196)	(16,738)	(1,757)	2,369	612	(18,299)	2,173	(16,126
apital alance at une 30, 2016	A, E, F, G, H, I	$ 210,478	$ (13,054)	$ 197,424	$ (13,942)	$ 12,422	$ (1,520)	$ 196,536	$ (632)	$ 195,904

		Six months ended June 30,					
		2016			2015		
	Reference	As Filed	Restatement Adjustments	As Restated	As Filed	Restatement Adjustments	As Restated
				(in thousands)			
Net loss	F, G, H, I	$ (16,738)	$ 612	$ (16,126)	$ (13,731)	$ 577	$ (13,154)
Changes in assets and liabilities:							
Other assets	D, H	(4,295)	555	(3,740)	(9,162)	4,810	(4,352)
Deferred revenues	B, D, F, G, H	37,755	(5,239)	32,516	45,307	(1,552)	43,755
Deferred taxes (net)	I				(44)	(85)	(129)
Payables and other liabilities	F	818	4,072	4,890	9,208	(3,750)	5,458
Net cash provided by operating activities .		$ 8,459	$	$ 8,459	$ 3,975	$	$ 3,975

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The Restatement adjustments affecting the consolidated statement of cash flows for the periods noted are included in the Partnership s net loss from operations and offset by changes in operating assets and liabilities. There were no adjustments related to cash provided by (used in) investing and financing activities.

3. ACQUISITIONS

2016 Acquisition

During the second quarter of 2016, the Partnership acquired related assets, net of certain assumed liabilities of three direct service cremation businesses for $1.5 million. The Partnership accounted for this transaction under the acquisition method of accounting. Accordingly, the Partnership evaluated the identifiable assets acquired and liabilities assumed at the acquisition date fair values. All other costs incurred associated with the acquisition of the assets noted were expensed as incurred. The following table presents the Partnership s values assigned to the assets acquired and liabilities assumed in the acquisition, based on their estimated fair values at the date of the acquisition, which may be prospectively adjusted as additional information is received (in thousands):

Assets:	
Accounts receivable	$ 22
Cemetery and funeral home property	90
Property and equipment	220
Merchandise trusts, restricted	290
Other assets	13
Total assets	635
Liabilities:	
Deferred revenues	193
Total liabilities	193
Fair value of net assets acquired	442
Consideration paid - cash	1,500
Total consideration paid	1,500
Goodwill from purchase	$ 1,058

The Partnership recorded goodwill of $1.1 million in the Funeral Home reporting unit for the properties acquired in 2016.

2015 Acquisitions

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

One funeral home for cash consideration of $0.9 million on July 21, 2015;

Three funeral homes and one cemetery for cash consideration of $5.7 million on August 6, 2015;

Two cemeteries for cash consideration of $1.5 million on August 20, 2015;

One funeral home for cash consideration of $5.0 million on August 31, 2015, and an additional $1.0 million paid in five annual installments beginning on the 1st anniversary of the closing date; and

One cemetery and two funeral homes for cash consideration of $5.7 million on December 1, 2015.

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

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Assets:	
Accounts receivable	$ 2,641
Cemetery property	5,249
Property and equipment	7,710
Inventory	53
Merchandise trusts, restricted	15,075
Perpetual care trusts, restricted	4,134
Intangible assets	406
Total assets	35,268
Liabilities:	
Deferred revenues	21,349
Perpetual care trust corpus	4,134
Other liabilities	21
Total liabilities	25,504
Fair value of net assets acquired	9,764
Consideration paid cash	18,800
Deferred cash consideration	876
Total consideration paid	19,676
Gain on bargain purchase	$ 766
Goodwill from purchase	$ 10,678

Certain provisional amounts pertaining to the 2015 acquisitions were adjusted in the second quarter of 2016 as the Company obtained additional information related to two of the acquisitions. The changes resulted in an adjustment to the gain on acquisition recognized during the year ended December 31, 2015, reducing the gain by $0.8 million via a loss recognized in the current period in accordance with GAAP. The amounts shown may be adjusted as additional information is received. The Partnership recorded goodwill of $1.1 million and $9.6 million in the Cemetery and Funeral Home reporting units, respectively, with regard to the properties acquired during the year ended December 31, 2015.

The following data presents pro forma revenues, net income (loss) and basic and diluted net income (loss) per unit for the Partnership as if the acquisitions consummated during the six months ended June 30, 2016 and the year ended December 31, 2015 had occurred as of January 1, 2015. The Partnership prepared these pro forma unaudited financial results for comparative purposes only. The results may not be indicative of the results that would have occurred if the acquisitions consummated during the six months ended June 30, 2016 and 2015 had occurred as of January 1, 2015 or the results that will be attained in future periods (in thousands, except per unit data):

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**

Revenue	$ 78,282	$ 86,426	$ 155,324	$ 158,832
Net loss	(8,651)	(4,516)	(16,107)	(12,898)
Net loss per limited partner unit (basic and diluted)	$ (0.28)	$ (0.18)	$ (0.54)	$ (0.50)

The properties acquired in 2016 have contributed $0.1 million of revenue and less than $0.1 million of operating profit for the three and six months ended June 30, 2016, respectively. The properties acquired in 2015 have contributed $4.8 million and $2.4 million of revenue and $0.8 million and $0.4 million of operating profit for the three and six months ended June 30, 2016 respectively.

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4. ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable, net of allowance, consists of the following at the dates indicated (in thousands):

	June 30, 2016	December 31, 2015
Customer receivables	$ 217,071	$ 207,645
Unearned finance income	(20,323)	(20,078)
Allowance for contract cancellations	(27,396)	(23,985)
Accounts receivable, net of allowance	169,352	163,582
Less: current portion, net of allowance	74,231	68,415
Long-term portion, net of allowance	$ 95,121	$ 95,167

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

	Six months ended June 30,	
	2016	2015
Balance, beginning of period	$ 23,985	$ 22,138
Provision for cancellations	13,267	13,200
Charge-offs, net	(9,856)	(10,264)
Balance, end of period	$ 27,396	$ 25,074

5. CEMETERY PROPERTY

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

	June 30, 2016	December 31, 2015
Cemetery land	$ 253,596	$ 253,955
Mausoleum crypts and lawn crypts	80,263	80,502
Cemetery property	$ 333,859	$ 334,457

6. PROPERTY AND EQUIPMENT

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

	June 30, 2016	December 31, 2015
Building and improvements	$ 119,634	$ 117,034

Furniture and equipment		54,202		54,346
Funeral home land		11,707		11,797
Property and equipment, gross		185,543		183,177
Less: accumulated depreciation		(70,753)		(67,050)
Property and equipment, net of accumulated depreciation	$	114,790	$	116,127

Depreciation expense was $2.6 million and $2.4 million for three months ended June 30, 2016 and 2015, respectively, and $5.1 million and $4.8 million for six months ended June 30, 2016 and 2015, respectively.

7. MERCHANDISE TRUSTS

At June 30, 2016 and December 31, 2015, the Partnership s merchandise trusts consisted of investments in debt and equity marketable securities and cash equivalents, both directly as well as through mutual and investment funds. Certain assets acquired in connection with the Partnership s 2015 and 2016 acquisitions (see Note 3) are based upon preliminary estimated values assigned to the assets by the Partnership at the date of acquisition, and will be adjusted when additional information is received.

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All of these investments are classified as Available for Sale and accordingly, all of the assets are carried at fair value. All of the investments subject to the fair value hierarchy (see Note 1) are considered either Level 1 or Level 2 assets pursuant to the three-level hierarchy described in Note 15. There were no Level 3 assets.

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

The Partnership included $8.3 million and $8.2 million of investments held in trust by the West Virginia Funeral Directors Association at June 30, 2016 and December 31, 2015, respectively, in its merchandise trust assets. As required by law, the Partnership deposits a portion of certain funeral merchandise sales in West Virginia into a trust that is held by the West Virginia Funeral Directors Association. These trusts are recognized at their account value, which approximates fair value.

A reconciliation of the Partnership s merchandise trust activities for the six months ended June 30, 2016 and 2015 is presented below (in thousands):

	Six months ended June 30,	
	2016	**2015**
Balance, beginning of period	$ 464,676	$ 484,820
Contributions	30,259	31,667
Distributions	(29,645)	(21,231)
Interest and dividends	11,686	8,391
Capital gain distributions	263	(741)
Realized gains and losses	2,337	14,453
Taxes	(1,694)	(3,026)
Fees	(1,048)	(1,632)
Unrealized change in fair value	17,762	(33,774)
Balance, end of period	$ 494,596	$ 478,927

During the six months ended June 30, 2016, purchases of available for sale securities were $47.1 million, while sales, maturities and paydowns of available for sale securities were $28.1 million.

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The cost and market value associated with the assets held in the merchandise trusts as of June 30, 2016 and December 31, 2015 were as follows (in thousands):

June 30, 2016	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments	1	$ 28,567	$	$	$ 28,567
Fixed maturities:					
U.S. governmental securities	2	96	9		105
Corporate debt securities	2	8,854	169	(493)	8,530
Other debt securities	2	160			160
Total fixed maturities		9,110	178	(493)	8,795
Mutual funds - debt securities	1	245,134	3,267	(6,829)	241,572
Mutual funds - equity securities	1	137,408	5,502	(8,085)	134,825
Other investment funds (1)		27,458	183		27,641
Equity securities	1	40,616	2,386	(3,346)	39,656
Other invested assets	2	1,630	314		1,944
Total managed investments		$ 489,923	$ 11,830	$ (18,753)	$ 483,000
Assets acquired via acquisition		3,264			3,264
West Virginia Trust Receivable		8,332			8,332
Total		$ 501,519	$ 11,830	$ (18,753)	$ 494,596

(1) Other investment funds are measured at fair value using the net asset value per share practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet. This asset class is composed of fixed income funds and equity funds which have redemption periods ranging from 30 to 90 days.

December 31, 2015	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments	1	$ 35,150	$	$	$ 35,150
Fixed maturities:					
U.S. governmental securities	2	98	6	(3)	101
Corporate debt securities	2	11,922	8	(546)	11,384
Other debt securities	2	7,150	11	(7)	7,154
Total fixed maturities		19,170	25	(556)	18,639

Mutual funds - debt securities	1	232,096	86	(10,713)	221,469
Mutual funds - equity securities	1	139,341	69	(12,249)	127,161
Equity securities	1	49,563	1,127	(2,474)	48,216
Other invested assets	2	1,681			1,681
Total managed investments		$ 477,001	$ 1,307	$ (25,992)	$ 452,316
Assets acquired via acquisition		4,185			4,185
West Virginia Trust Receivable		8,175			8,175
Total		$ 489,361	$ 1,307	$ (25,992)	$ 464,676

The contractual maturities of debt securities as of June 30, 2016 were as follows below:

	Less than 1 year	**1 year through 5 years**	**6 years through 10 years**	**More than 10 years**
U.S. governmental securities	$ 11	$ 12	$ 82	$
Corporate debt securities		7,202	1,328	
Other debt securities	160			
Total fixed maturities	$ 171	$ 7,214	$ 1,410	$

Temporary Declines in Fair Value

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

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An aging of unrealized losses on the Partnership s investments in debt and equity securities within the merchandise trusts as of June 30, 2016 and December 31, 2015 is presented below (in thousands):

	Less than 12 months		12 Months or more		Total	
June 30, 2016	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities:						
Corporate debt securities	$ 4,385	$ 314	$ 2,116	$ 179	$ 6,501	$ 493
Total fixed maturities	4,385	314	2,116	179	6,501	493
Mutual funds - debt securities	16,342	463	138,981	6,366	155,323	6,829
Mutual funds - equity securities	11,037	899	55,539	7,186	66,576	8,085
Equity securities	14,913	1,846	7,104	1,500	22,017	3,346
Total	$ 46,677	$ 3,522	$ 203,740	$ 15,231	$ 250,417	$ 18,753

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

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

Other-Than-Temporary Impairment of Trust Assets

The Partnership assesses its merchandise trust assets for other-than-temporary declines in fair value on a quarterly basis. During the three and six months ended June 30, 2016, the Partnership determined that there were no other than temporary impairments to the investment portfolio in the merchandise trusts. During the three months ended June 30, 2015, the Company determined that there were no other than temporary impairments to the investment portfolio in the merchandise trusts. During the six months ended June 30, 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 Partnership adjusted the cost basis of these assets to their current value and offset this change against deferred revenues. This reduction in deferred revenues is reflected in earnings in periods after the impairment date as the underlying merchandise is delivered or the underlying services are performed.

8. PERPETUAL CARE TRUSTS

At June 30, 2016 and December 31, 2015, the Partnership s perpetual care trusts consisted of investments in debt and equity marketable securities and cash equivalents, both directly as well as through mutual and investment funds. Certain assets acquired in connection with the Partnership s 2015 acquisitions (see Note 3) are based upon preliminary estimated values assigned to the assets by the Partnership at the date of acquisition, and will be adjusted when additional information is received.

All of these investments are classified as Available for Sale and accordingly, all of the assets are carried at fair value. All of the investments subject to the fair value hierarchy (see Note 1) are considered either Level 1 or Level 2 assets pursuant to the three-level hierarchy described in Note 15. There were no Level 3 assets. The perpetual care trusts are VIEs for which the Partnership is the primary beneficiary.

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A reconciliation of the Partnership s perpetual care trust activities for the six months ended June 30, 2016 and 2015 is presented below (in thousands):

	Six months ended June 30, 2016	Six months ended June 30, 2015
Balance, beginning of period	$ 307,804	$ 345,105
Contributions	5,146	5,766
Distributions	(7,818)	(6,253)
Interest and dividends	8,127	8,144
Capital gain distributions	85	35
Realized gains and losses	(470)	15,296
Taxes	(757)	(605)
Fees	(622)	(1,073)
Unrealized change in fair value	10,205	(34,305)
Balance, end of period	$ 321,700	$ 332,110

During the six months ended June 30, 2016, purchases of available for sale securities were $161.3 million, while sales, maturities and paydowns of available for sale securities were $156.1 million.

The cost and market value associated with the assets held in the perpetual care trusts as of June 30, 2016 and December 31, 2015 were as follows (in thousands):

June 30, 2016	Fair Value Hierarchy Level	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments	1	$ 35,904	$	$	$ 35,904
Fixed maturities:					
U.S. governmental securities	2	187	17		204
Corporate debt securities	2	14,116	262	(570)	13,808
Total fixed maturities		14,303	279	(570)	14,012
Mutual funds - debt securities	1	161,372	1,322	(2,312)	160,382
Mutual funds - equity securities	1	36,838	2,888	(552)	39,174
Other investment funds (1)		69,073	431		69,504
Equity securities	1	1,476	614	(7)	2,083
Other invested assets	2	79	3	(2)	80
Total managed investments		$ 319,045	$ 5,537	$ (3,443)	$ 321,139
Assets acquired via acquisition		561			561
Total		$ 319,606	$ 5,537	$ (3,443)	$ 321,700

(1) Other investment funds are measured at fair value using the net asset value per share practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet. This asset class is composed of fixed income funds and equity funds, which have a redemption period ranging from 30 to 90 days, and private credit funds, which have lockup periods ranging from six to ten years with three potential one year extensions at the discretion of the funds general partners. As of June 30, 2016 there are $50.1 million in unfunded commitments to the private credit funds, which are callable at any time.

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

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The contractual maturities of debt securities as of June 30, 2016 were as follows below:

	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
U.S. governmental securities	$ 111	$	$ 39	$ 54
Corporate debt securities	123	11,915	1,770	
Total fixed maturities	$ 234	$ 11,915	$ 1,809	$ 54

Temporary Declines in Fair Value

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

An aging of unrealized losses on the Partnership s investments in debt and equity securities within the perpetual care trusts as of June 30, 2016 and December 31, 2015 is presented below (in thousands):

	Less than 12 months		12 Months or more		Total	
June 30, 2016	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities:						
Corporate debt securities	$ 6,115	$ 371	$ 2,096	$ 199	$ 8,211	$ 570
Total fixed maturities	6,115	371	2,096	199	8,211	570
Mutual funds - debt securities	21,362	665	39,903	1,647	61,265	2,312
Mutual funds - equity securities	1,496	115	4,181	437	5,677	552
Equity securities	290	7			290	7
Other invested assets			67	2	67	2
Total	$ 29,263	$ 1,158	$ 46,247	$ 2,285	$ 75,510	$ 3,443

	Less than 12 months		12 Months or more		Total	
December 31, 2015	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities:						
U.S. governmental securities	$	$	$ 112	$	$ 112	$
Corporate debt securities	12,482	535	4,505	310	16,987	845
Other debt securities	35	1			35	1
Total fixed maturities	12,517	536	4,617	310	17,134	846

Mutual funds - debt securities	81,215	4,263	50,774	2,917	131,989	7,180
Mutual funds - equity securities	16,514	1,363	4,308	350	20,822	1,713
Equity securities	488	6	1,137	1	1,625	7
Other invested assets			315	162	315	162
Total	$ 110,734	$ 6,168	$ 61,151	$ 3,740	$ 171,885	$ 9,908

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

Other-Than-Temporary Impairment of Trust Assets

The Partnership assesses its perpetual care trust assets for other-than-temporary declines in fair value on a quarterly basis. During the three and six months ended June 30, 2016 and 2015, the Partnership determined that there were no other than temporary impairments to the investment portfolio in the perpetual care trusts.

9. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Partnership has recorded goodwill of approximately $70.6 million as of June 30, 2016 and $69.9 million as of December 31, 2015. This amount represents the excess of the purchase price over the fair value of identifiable net assets acquired.

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A rollforward of goodwill by reporting unit is as follows (in thousands):

	Cemeteries	Funeral Homes	Total
Balance at December 31, 2015	$ 25,320	$ 44,531	$ 69,851
Goodwill from acquisitions during 2015		(337)	(337)
Goodwill from acquisitions during 2016		1,058	1,058
Balance at June 30, 2016	$ 25,320	$ 45,252	$ 70,572

The Partnership adjusted preliminary amounts relating to 2015 acquisitions during the second quarter of 2016 as the Company obtained additional information. These updates resulted in a decrease in goodwill acquired from 2015 acquisitions.

The Partnership tests goodwill for impairment at each year end by comparing its reporting units estimated fair values to carrying values. There were no goodwill impairments recognized by the Partnership during the periods presented. Management will continue to evaluate goodwill at least annually or when impairment indicators arise.

Intangible Assets

The Partnership has intangible assets with finite lives recognized in connection with acquisitions and long-term lease, management and operating agreements. The Partnership amortizes these intangible assets over their estimated useful lives.

The following table reflects the components of intangible assets as of June 30, 2016 and December 31, 2015 (in thousands):

	June 30, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset
Lease and management agreements	$ 59,758	$ (2,075)	$ 57,683	$ 59,758	$ (1,577)	$ 58,181
Underlying contract value	6,239	(1,092)	5,147	6,239	(1,014)	5,225
Non-compete agreements	5,486	(3,452)	2,034	5,656	(3,112)	2,544
Other intangible assets	1,439	(205)	1,234	1,439	(180)	1,259
Total intangible assets	$ 72,922	$ (6,824)	$ 66,098	$ 73,092	$ (5,883)	$ 67,209

Amortization expense for intangible assets was $0.6 million for both the three months ended June 30, 2016 and 2015 and $1.1 million for both the six months ended June 30, 2016 and 2015. The following is estimated amortization expense related to intangible assets with finite lives for the periods noted below (in thousands):

2016 (remainder)	$ 1,069

2017	$ 1,956
2018	$ 1,708
2019	$ 1,440
2020	$ 1,266

10. LONG-TERM DEBT

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

	June 30, 2016	December 31, 2015
Credit Facility:		
Working Capital Draws	$ 68,000	$ 105,000
Acquisition Draws	44,500	44,500
7.875% Senior Notes, due June 2021	172,400	172,186
Notes payable - acquisition debt	596	687
Notes payable - acquisition non-competes	1,279	1,629
Insurance and vehicle financing	3,464	2,336
Less deferred financing costs, net of accumulated amortization	(7,012)	(7,499)
Total debt	283,227	318,839
Less current maturities	(5,373)	(2,440)
Total long-term debt	$ 277,854	$ 316,399

Credit Facility

The Partnership is a party to the Fourth Amended and Restated Credit Agreement, as amended (the Credit Agreement) which provides for a single revolving credit facility of $180.0 million (the Credit Facility) maturing on December 19, 2019. The Credit Agreement also provides for an uncommitted ability to increase the Credit Facility by an additional $70.0 million. The Partnership s obligations under the Credit Facility are secured by substantially all of the assets of the Partnership, excluding those held in trust. Borrowings under the Credit Facility are classified as either acquisition draws or working capital draws. Acquisition draws may be utilized to finance permitted acquisitions, the purchase and construction of mausoleums and related costs or the net amount of merchandise trust deposits. Working capital draws may be utilized to finance working capital requirements, capital expenditures and for other general corporate purposes. The amount of the Credit Facility that is available for working capital draws is subject to a borrowing formula equal to 85% of eligible accounts receivable, as defined within the Credit Agreement. At June 30, 2016, the amount available under the Credit Facility for working capital advances under this limit was $143.9 million, of which $68.0 million was outstanding at June 30, 2016.

Each individual acquisition draw is subject to equal quarterly amortization of the principal amount, with annual principal payments comprised of ten percent of the related advance amount, commencing on the second anniversary of such advance, with the remaining principal due on December 19, 2019, subject to certain mandatory prepayment requirements. Up to $10.0 million of the Credit Facility may be in the form of standby letters of credit, of which there were $6.5 million outstanding at June 30, 2016 and none outstanding at December 31, 2015.

Borrowings under the Credit Facility bear interest, at the Partnership s election, at either an adjusted LIBOR rate plus an applicable margin between 2.25% and 4.00% per annum or the base rate (which is the higher of the bank s prime rate, the Federal funds rate plus 0.5% or one-month LIBOR plus 1.00%) plus an applicable margin between 1.25% and 3.00% per annum. The Partnership is also required to pay a fee on the unused portion of the Credit Facility at a rate between 0.375% and 0.8% per annum, which is included within interest expense on the Partnership s consolidated statements of operations. On June 30, 2016, the weighted average interest rate on outstanding borrowings under the Credit Facility was 4.4%.

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

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

the ratio of Consolidated EBITDA (as defined in the Credit Agreement) to Consolidated Debt Service (as defined in the Credit Agreement), calculated over a period of four fiscal quarters, or the Consolidated Debt Service Coverage Ratio, of not less than 2.50 to 1.00 for any period; and the ratio of Consolidated Funded Indebtedness (as defined in the Credit Agreement) to Consolidated EBITDA (as defined in the Credit Agreement), calculated over a period of four fiscal quarters, or the Consolidated Leverage Ratio, of not greater than 4.00 to 1.00 for any period.

On June 30, 2016, the Partnership s Consolidated Leverage Ratio and the Consolidated Debt Service Coverage Ratio were 3.11 and 4.37, respectively. The Partnership was in compliance with these covenants as of June 30, 2016.

Senior Notes

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

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

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

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

The Senior Notes are jointly and severally guaranteed by certain of our subsidiaries. The Indenture governing the Senior Notes contains covenants, including limitations of the Partnership s ability to incur additional indebtedness and liens, make certain dividends, distributions, redemptions or investments, enter into certain transactions with affiliates, make certain asset sales, and engage in certain mergers, consolidations or sales of all or substantially all of the Partnership s assets. As of June 30, 2016, the Partnership was in compliance with these covenants.

11. INCOME TAXES

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

As of June 30, 2016, the Partnership had available approximately less than $0.1 million of alternative minimum tax credit carryforwards, which are available indefinitely, and $264.5 million of federal net operating loss carryforwards, which will begin to expire in 2017 and $321.8 million in state net operating loss carryforwards, a portion of which expires annually.

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In assessing the realizability of deferred tax assets, management considers whether it s more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. As of June 30, 2016, based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Partnership will realize a partial benefit of these deductible differences. The amount of deferred tax assets considered realizable could be reduced in the future if estimates of future taxable income during the carryforward period are reduced.

In accordance with applicable accounting standards, the Partnership recognizes only the impact of income tax positions that, based upon their merits, are more likely than not to be sustained upon audit by a taxing authority. To evaluate its current tax positions in order to identify any material uncertain tax positions, the Partnership developed a policy of identifying and evaluating uncertain tax positions that considers support for each tax position, industry standards, tax return disclosures and schedules and the significance of each position. It is the Partnership s policy to recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense. At June 30, 2016 and December 31, 2015, the Partnership had no material uncertain tax positions.

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

12. DEFERRED REVENUES

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

At June 30, 2016 and December 31, 2015, deferred revenues consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Deferred contract revenues	$ 785,072	$ 759,812
Deferred merchandise trust revenue	90,045	80,294
Deferred merchandise trust unrealized gains (losses)	(6,923)	(24,685)
Deferred revenues	$ 868,194	$ 815,421
Deferred selling and obtaining costs	$ 118,410	$ 111,542

13. LONG-TERM INCENTIVE PLANS

2014 Long-Term Incentive Plan

During the year ended December 31, 2014, the General Partner s Board of Directors (the Board) and the Partnership s unitholders approved a 2014 Long-Term Incentive Plan (2014 LTIP). The Compensation, Nominating and Governance, and Compliance Committee of the Board (the Compensation Committee) administers the 2014 LTIP. The 2014 LTIP permits the grant of awards, which may be in the form of phantom units, restricted units, unit appreciation rights (UAR), or unit options, including performance factors for each, covering an aggregate of 1,500,000 common units, a number that the Board may increase by up to 100,000 common units per year. At June 30, 2016, the estimated number of common units to be issued upon vesting and exercise of outstanding rights under this plan, assuming the satisfaction of the maximum conditions for performance factors, was 110,090. A cumulative number of 14,455 common units have been issued, leaving 1,375,455 common units available for future grants under the plan, assuming no increases by the Board.

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Phantom Unit Awards

Phantom units represent rights to receive a common unit or an amount of cash, or a combination of either, based upon the value of a common unit. Phantom units become payable, in cash or common units, at the Partnership s election, upon the separation of directors and executives from service or upon the occurrence of certain other events specified in the underlying agreements. Phantom units are subject to terms and conditions determined by the Compensation Committee. In tandem with phantom unit grants, the compensation committee may grant distribution equivalent rights (DERs), which are the right to receive an amount in cash or common units equal to the cash distributions made by the Partnership with respect to common unit during the period that the underlying phantom unit is outstanding. All phantom units outstanding under the 2014 LTIP at June 30, 2016 contain tandem DERs.

The following table sets forth the 2014 LTIP phantom unit award activity for the three and six months ended June 30, 2016 and 2015, respectively:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Outstanding, beginning of period	105,167	4,241	102,661	2,189
Granted (1)	4,923	2,040	7,429	4,092
Outstanding, end of period (2)	110,090	6,281	110,090	6,281

(1) The weighted-average grant date fair value for the unit awards on the date of grant was $23.95 and $29.52 for three months ended June 30, 2016 and 2015, respectively, and $24.60 and $29.11 for six months ended June 30, 2016 and 2015, respectively. The intrinsic value of vested unit awards was $0.1 million for both the three months ended June 30, 2016 and 2015 and $0.2 million and $0.1 million for the six months ended June 30, 2016 and 2015, respectively.

(2) Based on the closing price of the common units on June 30, 2016, the estimated intrinsic value of the outstanding unit awards was $2.8 million at June 30, 2016.

2004 Long-Term Incentive Plan

The Compensation Committee administers the Partnership s 2004 Long-Term Incentive Plan (2004 LTIP). The 2004 LTIP permitted the grant of awards, which may be in the form of phantom units, restricted units, or unit appreciation rights (UAR). At June 30, 2016, the estimated number of common units to be issued upon vesting and exercise of outstanding rights under this plan was 194,820, based upon the closing price of our common units at June 30, 2016. A cumulative number of 626,188 common units have been issued under the 2004 LTIP. There were no awards available for grant under the 2004 LTIP at June 30, 2016 because the plan expired in 2014.

Phantom Unit Awards

Phantom units were credited to participants mandatory deferred compensation accounts in connection with DERs accruing on phantom units received under the 2004 LTIP. These DERs continue to accrue until the underlying securities are issued. The following table sets forth the 2004 LTIP activity related to DERs credited as phantom units to the participant s accounts for the three and six months ended June 30, 2016 and 2015, respectively:

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Outstanding, beginning of period	188,948	172,793	184,457	169,122
Granted (1)	5,137	3,556	9,628	7,227
Outstanding, end of period (2)	194,085	176,349	194,085	176,349

(1) The weighted-average fair value for the phantom units credited was $23.52 and $30.04 for the three months ended June 30, 2016 and 2015, respectively, and $24.80 and $29.02 for the six months ended June 30, 2016 and 2015, respectively. The intrinsic value of vested phantom unit awards was $0.1 million for both the three months ended June 30, 2016 and 2015 and $0.2 million for both the six months ended June 30, 2016 and 2015.

(2) Based on the closing price of the common units on June 30, 2016, the estimated intrinsic value of the outstanding unit awards was $4.9 million at June 30, 2016.

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Total compensation expense for phantom units credited under both the 2004 and 2014 plans was approximately $0.2 million for the three months ended June 30, 2016 and 2015, and $0.4 million and $0.5 million for the six months ended June 30, 2016 and 2015, respectively.

Unit Appreciation Rights Awards

UAR awards represent a right to receive an amount equal to the closing price of the Partnership s common units on the date preceding the exercise date less the exercise price of the UARs, to the extent the closing price of the Partnership s common units on the date preceding the exercise date is in excess of the exercise price. This amount is then divided by the closing price of the Partnership s common units on the date preceding the exercise date to determine the number of common units to be issued to the participant. UAR awards granted through June 30, 2016 have a five-year contractual term beginning on the grant date and vest ratably over a period of 48 months beginning on the grant date. Of the UARs outstanding at June 30, 2016, 16,302 UARs will vest within the following twelve months. The following table sets forth the UAR award activity for the three and six months ended June 30, 2016 and 2015, respectively:

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Outstanding, beginning of period	66,793	112,346	66,793	123,000
Exercised		(19,595)		(30,249)
Forfeited		(5,730)		(5,730)
Outstanding, end of period (1)	66,793	87,021	66,793	87,021
Exercisable, end of period	44,968	41,383	44,968	41,383

(1) Based on the closing price of the common units on June 30, 2016, the estimated intrinsic value of the outstanding unit awards was $0.1 million at June 30, 2016. The weighted average remaining contractual life for outstanding UAR awards at June 30, 2016 was 2.1 years.

At June 30, 2016, the Partnership had approximately $0.1 million of unrecognized compensation expense related to unvested UAR awards that will be recognized through the year ended December 31, 2018. The Partnership recognized total compensation expense for UAR awards of less than $0.1 million for the three and six months ended June 30, 2016 and 2015. The Partnership issued 3,416 common units for the three months ended June 30, 2015 and 4,564 common units for the six months ended June 30, 2015 due to exercised UAR awards. There were no UAR exercises during the three and six months ended June 30, 2016.

14. COMMITMENTS AND CONTINGENCIES

Legal

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

Other

During the first quarter of 2016, the Partnership moved its corporate headquarters to Trevose, Pennsylvania. Due to the relocation, a cease-use expense of $0.5 million was recorded during the period below Operating income (loss) on the unaudited consolidated statement of operations. This charge represents the net recognition of the discounted liability for future rent payments due under the lease on the previous headquarters, net of estimated sublease collections and deferred rent and lease incentives pertaining to the previous corporate office location.

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

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

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

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Partnership s current assets and liabilities on its consolidated balance sheets are considered to be financial instruments, and their estimated fair values approximate their carrying values due to their short-term nature and thus are categorized as Level 1. The Partnership s merchandise and perpetual care trusts consist of investments in debt and equity marketable securities and cash equivalents, are carried at fair value, and are considered either Level 1 or Level 2 (see Notes 7 and 8). Certain investments in the merchandise and perpetual care trusts are excluded from the fair value leveling hierarchy in accordance with GAAP.

The Partnership s other financial instruments as of June 30, 2016 and December 31, 2015 consist of its Senior Notes and outstanding borrowings under its revolving credit facility (see Note 10). The estimated fair values of the Partnership s Senior Notes as of June 30, 2016 and December 31, 2015 were $175.1 million and $179.9 million, respectively, based on trades made on those dates, compared with the carrying amounts of $172.4 million and $172.2 million, respectively. As of June 30, 2016 and December 31, 2015, the carrying values of outstanding borrowings under the Partnership s revolving credit facility (see Note 10), which bears interest at variable interest rates with maturities of 90 days or less, approximated their estimated fair values. The Senior Notes and the credit facility are valued using Level 2 inputs.

16. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Partnership s Senior Notes are guaranteed by StoneMor Operating LLC and its wholly-owned subsidiaries, other than the co-issuer, as described below. The guarantees are full, unconditional, joint and several. The Partnership, or the Parent , and its wholly-owned subsidiary Cornerstone Family Services of West Virginia Subsidiary Inc., are the co-issuers of the Senior Notes. The Partnership s unaudited consolidated financial statements as of June 30, 2016 and December 31, 2015 and for the three and six months ended June 30, 2016 and 2015 include the accounts of cemeteries operated under long-term lease, operating or management agreements. For the purposes of this note, these entities are deemed non-guarantor subsidiaries, as they are not wholly-owned by the Partnership. The Partnership s unaudited consolidated financial statements also contain merchandise and perpetual care trusts that are also deemed non-guarantor subsidiaries for the purposes of this note.

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The following unaudited supplemental condensed consolidating financial information reflects the Partnership s standalone accounts, the combined accounts of the subsidiary co-issuer, the combined accounts of the guarantor subsidiaries, the combined accounts of the non-guarantor subsidiaries, the consolidating adjustments and eliminations and the Partnership s consolidated accounts as of and for the three and six months ended June 30, 2016 and 2015. For the purpose of the following financial information, the Partnership s investments in its subsidiaries and the guarantor subsidiaries investments in their respective subsidiaries are presented in accordance with the equity method of accounting (in thousands):

CONDENSED CONSOLIDATING BALANCE SHEETS

June 30, 2016	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$	$	$ 6,382	$ 3,054	$	$ 9,436
Other current assets		5,276	82,814	15,001		103,091
Total current assets		5,276	89,196	18,055		112,527
Long-term accounts receivable		2,821	81,134	11,166		95,121
Cemetery property and equipment		1,020	416,052	31,577		448,649
Merchandise trusts				494,596		494,596
Perpetual care trusts				321,700		321,700
Deferred selling and obtaining costs		5,967	96,730	15,713		118,410
Goodwill and intangible assets			78,331	58,339		136,670
Other assets			16,151	2,371		18,522
Investments in and amounts due from affiliates eliminated upon consolidation	263,879	175,341	465,794		(905,014)	
Total assets	$ 263,879	$ 190,425	$ 1,243,388	$ 953,517	$ (905,014)	$ 1,746,195
Liabilities and Equity						
Current liabilities	$	$ 36	$ 39,636	$ 834	$	$ 40,506
Long-term debt, net of deferred financing costs	67,975	104,425	105,454			277,854
Deferred revenues		41,456	740,550	86,188		868,194
Perpetual care trust corpus				321,700		321,700
Other long-term liabilities			32,158	9,879		42,037
Due to affiliates			172,400	477,824	(650,224)	
Total liabilities	67,975	145,917	1,090,198	896,425	(650,224)	1,550,291
Partners capital	195,904	44,508	153,190	57,092	(254,790)	195,904

Total liabilities and partners capital	$ 263,879	$ 190,425	$ 1,243,388	$ 953,517	$ (905,014)	$ 1,746,195

December 31, 2015	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$	$	$ 11,869	$ 3,284	$	$ 15,153
Other current assets		4,858	78,464	12,701		96,023
Total current assets		4,858	90,333	15,985		111,176
Long-term accounts receivable		2,888	80,969	11,310		95,167
Cemetery property and equipment		1,084	418,400	31,100		450,584
Merchandise trusts				464,676		464,676
Perpetual care trusts				307,804		307,804
Deferred selling and obtaining costs		5,967	91,275	14,300		111,542
Goodwill and intangible assets			78,223	58,837		137,060
Other assets			14,153	2,195		16,348
Investments in and amounts due from affiliates eliminated upon consolidation	249,436	165,639	436,811		(851,886)	
Total assets	$ 249,436	$ 180,436	$ 1,210,164	$ 906,207	$ (851,886)	$ 1,694,357
Liabilities and Equity						
Current liabilities	$	$ 12	$ 33,083	$ 837	$	$ 33,932
Long-term debt, net of deferred financing costs	67,890	104,295	144,214			316,399
Deferred revenues		40,467	697,516	77,438		815,421
Perpetual care trust corpus				307,804		307,804
Other long-term liabilities			29,761	9,494		39,255
Due to affiliates			172,185	454,605	(626,790)	
Total liabilities	67,890	144,774	1,076,759	850,178	(626,790)	1,512,811
Partners capital	181,546	35,662	133,405	56,029	(225,096)	181,546
Total liabilities and partners capital	$ 249,436	$ 180,436	$ 1,210,164	$ 906,207	$ (851,886)	$ 1,694,357

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CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Three months ended June 30, 2016	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	$	$ 1,653	$ 66,407	$ 12,590	$ (2,368)	$ 78,282
Total cost and expenses		(2,575)	(67,877)	(12,451)	2,368	(80,535)
Other income (loss)			(191)			(191)
Net loss from equity investment in subsidiaries	(7,292)	(8,816)			16,108	
Interest expense	(1,359)	(2,087)	(2,066)	(195)		(5,707)
Net income (loss) before income taxes	(8,651)	(11,825)	(3,727)	(56)	16,108	(8,151)
Income tax benefit (expense)			(500)			(500)
Net income (loss)	$ (8,651)	$ (11,825)	$ (4,227)	$ (56)	$ 16,108	$ (8,651)

Three months ended June 30, 2015	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	$	$ 1,505	$ 73,659	$ 12,822	$ (3,473)	$ 84,513
Total cost and expenses		(2,865)	(70,398)	(13,305)	3,473	(83,095)
Net loss from equity investment in subsidiaries	(3,285)	(4,637)			7,922	
Interest expense	(1,359)	(2,087)	(2,144)	(180)		(5,770)
Net income (loss) before income taxes	(4,644)	(8,084)	1,117	(663)	7,922	(4,352)
Income tax benefit (expense)			(292)			(292)
Net income (loss)	$ (4,644)	$ (8,084)	$ 825	$ (663)	$ 7,922	$ (4,644)

Six months ended June 30, 2016	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	$	$ 2,886	$ 130,701	$ 26,356	$ (4,732)	$ 155,211
Total cost and expenses		(5,092)	(133,648)	(23,999)	4,732	(158,007)
Other income (loss)			(1,073)			(1,073)
Net loss from equity investment in subsidiaries	(13,409)	(16,455)			29,864	
Interest expense	(2,717)	(4,174)	(4,220)	(386)		(11,497)
	(16,126)	(22,835)	(8,240)	1,971	29,864	(15,366)

Net income (loss) before income taxes						
Income tax benefit (expense)			(760)			(760)
Net income (loss)	$ (16,126)	$ (22,835)	$ (9,000)	$ 1,971	$ 29,864	$ (16,126)

Six months ended June 30, 2015	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	$	$ 2,785	$ 134,945	$ 23,670	$ (6,394)	$ 155,006
Total cost and expenses		(5,276)	(133,114)	(24,617)	6,394	(156,613)
Net loss from equity investment in subsidiaries	(10,437)	(11,385)			21,822	
Interest expense	(2,717)	(4,174)	(3,985)	(357)		(11,233)
Net income (loss) before income taxes	(13,154)	(18,050)	(2,154)	(1,304)	21,822	(12,840)
Income tax benefit (expense)			(314)			(314)
Net income (loss)	$ (13,154)	$ (18,050)	$ (2,468)	$ (1,304)	$ 21,822	$ (13,154)

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CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Six months ended June 30, 2016	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 2,624	$ 61	$ 13,804	$ 1,485	$ (9,515)	$ 8,459
Cash Flows From Investing Activities:						
Cash paid for acquisitions and capital expenditures		(61)	(5,380)	(1,715)		(7,156)
Payments to affiliates	(32,458)				32,458	
Net cash used in investing activities	(32,458)	(61)	(5,380)	(1,715)	32,458	(7,156)
Cash Flows From Financing Activities:						
Cash distributions	(44,703)					(44,703)
Payments from affiliates			22,943		(22,943)	
Net borrowings and repayments of debt			(36,503)			(36,503)
Proceeds from issuance of common units	74,537					74,537
Other financing activities			(351)			(351)
Net cash provided by (used in) financing activities	29,834		(13,911)		(22,943)	(7,020)
Net increase (decrease) in cash and cash equivalents			(5,487)	(230)		(5,717)
Cash and cash equivalents - Beginning of period			11,869	3,284		15,153
Cash and cash equivalents - End of period	$	$	$ 6,382	$ 3,054	$	$ 9,436

Six months ended June 30, 2015	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 36,297	$ 151	$ 9,324	$ 1,391	$ (43,188)	$ 3,975
Cash Flows From Investing Activities:						
Cash paid for acquisitions and capital expenditures		(151)	(5,472)	(1,627)		(7,250)

Net cash used in investing activities		(151)	(5,472)	(1,627)		(7,250)
Cash Flows From Financing Activities:						
Cash distributions	(36,297)					(36,297)
Payments to affiliates			(43,188)		43,188	
Net borrowings and repayments of debt			42,608			42,608
Other financing activities			(34)			(34)
Net cash provided by (used in) financing activities	(36,297)		(614)		43,188	6,277
Net increase (decrease) in cash and cash equivalents			3,238	(236)		3,002
Cash and cash equivalents - Beginning of period			7,059	3,342		10,401
Cash and cash equivalents - End of period	$	$	$ 10,297	$ 3,106	$	$ 13,403

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17. ISSUANCES OF LIMITED PARTNER UNITS

On November 19, 2015, the Partnership entered into an equity distribution agreement (ATM Equity Program) with a group of banks (the Agents) whereby it may sell, from time to time, common units representing limited partner interests having an aggregate offering price of up to $100,000,000. During the three months ended June 30, 2016, the Partnership issued 176,208 common units under the ATM Equity Program for net proceeds of $4.2 million. During the six months ended June 30, 2016, the Partnership issued 903,682 common units under the ATM Equity Program for net proceeds of $23.0 million.

Pursuant to a Common Unit Purchase Agreement, dated May 19, 2014, by and between the Partnership and American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company (ACII), the Partnership issued 61,553 paid-in-kind units to ACII in lieu of cash distributions of $1.5 million during the three months ended June 30, 2016 and 117,290 paid-in-kind Units to ACII in lieu of cash distributions of $3.0 million for the six months ended June 30, 2016.

On April 20, 2016, the Partnership completed a follow-on public offering of 2,000,000 common units at a public offering price of $23.65 per unit. Additionally, the underwriters exercised their option to purchase an additional 300,000 common units. The offering resulted in net proceeds, after deducting underwriting discounts and offering expenses, of $51.5 million. The proceeds from the offering were used to pay down outstanding indebtedness under the Credit Facility.

18. SEGMENT INFORMATION

The Partnership s operations include two reportable operating segments, Cemetery Operations and Funeral Homes. These operating segments reflect the way the Partnership manages its operations and makes business decisions as of June 30, 2016 and represent a change from the comparable period presented. Prior period information was revised to the current year presentation. Operating segment data for the periods indicated were as follows (in thousands):

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	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cemetery Operations:				
Revenues	$ 63,543	$ 71,019	$ 124,149	$ 126,252
Operating costs and expenses	(54,911)	(57,573)	(105,267)	(106,906)
Depreciation and amortization	(2,014)	(1,904)	(3,984)	(3,810)
Segment income	$ 6,618	$ 11,542	$ 14,898	$ 15,536
Funeral Homes:				
Revenues	$ 14,739	$ 13,494	$ 31,062	$ 28,754
Operating costs and expenses	(12,732)	(12,149)	(26,472)	(24,299)
Depreciation and amortization	(858)	(802)	(1,735)	(1,601)
Segment income	$ 1,149	$ 543	$ 2,855	$ 2,854
Reconciliation of segment income to net loss:				
Cemeteries	$ 6,618	$ 11,542	$ 14,898	$ 15,536
Funeral homes	1,149	543	2,855	2,854
Total segment income	7,767	12,085	17,753	18,390
Corporate overhead	(9,737)	(10,429)	(20,048)	(19,512)
Corporate depreciation and amortization	(283)	(238)	(501)	(485)
Other gains (losses), net	(191)		(1,073)	
Interest expense	(5,707)	(5,770)	(11,497)	(11,233)
Income tax benefit (expense)	(500)	(292)	(760)	(314)
Net loss	$ (8,651)	$ (4,644)	$ (16,126)	$ (13,154)
Capital expenditures:				
Cemeteries	$ 2,691	$ 4,127	$ 4,632	$ 6,693
Funeral homes	44	207	495	382
Corporate	209	101	2,377	175
Total capital expenditures	$ 2,944	$ 4,435	$ 7,504	$ 7,250

Balance sheet information:	**June 30, 2016**	**December 31, 2015**
Assets:		
Cemetery Operations	$ 1,528,569	$ 1,481,926
Funeral Homes	197,481	190,443
Corporate	20,145	21,988
Total assets	$ 1,746,195	$ 1,694,357

Goodwill:				
Cemetery Operations	$	25,320	$	25,320
Funeral Homes		45,252		44,531
Total goodwill	$	70,572	$	69,851

19. SUBSEQUENT EVENTS

On July 25, 2016, the Partnership announced a quarterly cash distribution of $0.66 per common unit pertaining to the results for the second quarter of 2016. The distribution is scheduled to be paid August 12, 2016 to common unit holders of record as of the close of business on August 5, 2016.

On August 4, 2016, StoneMor Operating LLC (the Operating Company), a wholly-owned subsidiary of the Partnership, entered into a new Credit Agreement (the New Credit Agreement) among each of the Subsidiaries of the Operating Company (together with the Operating Company, Borrowers), the Lenders identified therein, Capital One, National Association (Capital One), as Administrative Agent, Issuing Bank and Swingline Lender, Citizens Bank of Pennsylvania, as Syndication Agent, and TD Bank, N.A. and Raymond James Bank, N.A., as Co-Documentation Agents. In addition, on the same date, the Partnership, the Borrowers and Capital One, as Administrative Agent, entered into the Guaranty and Collateral Agreement (the Guaranty Agreement, and together with the New Credit Agreement, New Agreements). Capitalized terms which are not defined in the following description shall have the meaning assigned to such terms in the New Agreements.

The New Agreements replaced the Partnership s Credit Agreement, as amended with Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer and other lenders party thereto (the Prior Credit Agreement), Second Amended and Restated Security Agreement, and Second Amended and Restated Pledge Agreement, each dated as of December 19, 2014 (collectively, Prior Agreements).

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The New Credit Agreement provides for up to $210.0 million initial aggregate amount of Revolving Commitments, which may be increased, from time to time, in minimum increments of $5.0 million so long as the aggregate amount of such increases does not exceed $100.0 million. The Operating Company may also request the issuance of Letters of Credit for up to $15.0 million in the aggregate. The Maturity Date under the New Credit Agreement is the earlier of (i) August 4, 2021 and (ii) the date that is six months prior to the earliest scheduled maturity date of any outstanding Permitted Unsecured Indebtedness (at present, such date is December 1, 2020, which is six months prior to June 1, 2021 maturity date of outstanding 7.875% senior notes).

Generally, proceeds of the Loans under the New Credit Agreement can be used to finance the working capital needs and for other general corporate purposes of the Borrowers and Guarantors, including acquisitions and distributions permitted under the New Credit Agreement. The terms and covenants of the New Credit Agreement, taken as a whole, are substantially similar to those of the Prior Credit Agreement.

The Borrowers obligations under the New Credit Agreement are guaranteed by the Partnership and the Borrowers. Pursuant to the Guaranty Agreement, the Borrowers obligations under the Credit Agreement are secured by a first priority lien and security interest (subject to permitted liens and security interests) in substantially all of the Partnership s and Borrowers assets, whether then owned or thereafter acquired, excluding certain assets.

In connection with entering into the New Credit Agreement, the Partnership incurred an extinguishment of debt charge of approximately $1.2 million pertaining to deferred financing costs on the Prior Credit Agreement.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (REVISED)

As discussed in the Explanatory Note to this Form 10-Q/A and Note 2, *Restatement of Previously Issued Consolidated Financial Statements,* in the Partnership s consolidated financial statements included in Item 1 to this Form 10-Q/A, the consolidated financial statements of the Partnership as of June 30, 2016 and December 31, 2015 and for both the three and six months ended June 30, 2016 and 2015 have been revised to give effect to the Restatement. Accordingly, the discussion and analysis below for both the three and six months ended June 30, 2016 and 2015 has been revised to give effect to the Restatement. The revised discussion and analysis presented below provides information to assist in understanding our financial condition and results of operations, and should be read in conjunction with the Partnership s consolidated financial statements included in Item 1.

Certain statements contained in this Form 10-Q/A, including, but not limited to, information regarding our operating activities, the plans and objectives of our management, and assumptions regarding our future performance and plans are forward-looking statements. When used in this Form 10-Q/A, the words believes, anticipates, expects and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on management s expectations and estimates. These statements are neither promises nor guarantees and are made subject to certain risks and uncertainties that could cause actual results to differ materially from the results stated or implied in this Form 10-Q/A.

Our major risks are related to uncertainties associated with the cash flow from pre-need and at-need sales, trusts and financings, which may impact StoneMor s ability to meet its financial projections, service its debt, pay distributions, and increase its distributions, as well as with its ability to maintain an effective system of internal control over financial reporting and disclosure controls and procedures.

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 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 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.

Our risks and uncertainties are more particularly described in Item 1A. Risk Factors of our Annual Report on Form 10-K/A for the year ended December 31, 2015. Readers are cautioned not to place undue reliance on forward looking statements included in this

Form 10-Q/A, which speak only as of the date hereof. Except as required by applicable laws, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

BUSINESS OVERVIEW

We are a publicly-traded Delaware master-limited partnership (MLP) and provider of funeral and cemetery products and services in the death care industry in the United States. As of June 30, 2016, we operated 307 cemeteries in 27 states and Puerto Rico, of which 276 are owned and 31 are operated under lease, management or operating agreements. We also owned and operated 107 funeral homes in 19 states and Puerto Rico.

FINANCIAL PRESENTATION

Our consolidated balance sheets at June 30, 2016 and December 31, 2015, and the consolidated statements of operations for the three and six months ended June 30, 2016 and 2015 include our accounts and our wholly-owned subsidiaries. Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the consolidated balance sheets and related consolidated statements of operations. Actual balances and results could be different from those estimates. All intercompany transactions and balances have been eliminated in the consolidation of the financial statements.

SUBSEQUENT EVENTS

On July 25, 2016, we announced a quarterly cash distribution of $0.66 per common unit pertaining to the results for the second quarter of 2016. The distribution is scheduled to be paid August 12, 2016 to common unit holders of record as of the close of business on August 5, 2016.

On August 4, 2016, our wholly-owned subsidiary, StoneMor Operating LLC entered into a credit agreement (the New Credit Agreement), which replaced the Partnership s existing credit agreement. The New Credit Agreement provides for up to $210.0 million initial aggregate amount of Revolving Commitments, which may be increased, from time to time, in minimum increments of $5.0 million so long as the aggregate amount of such increases does not exceed $100.0 million. We may also request the issuance of Letters of Credit for up to $15.0 million in the aggregate. The Maturity Date under the New Credit Agreement is the earlier of (i) August 4, 2021 and (ii) the date that is six months prior to the earliest scheduled maturity date of any outstanding Permitted Unsecured Indebtedness (at present, such date is December 1, 2020, which is six months prior to June 1, 2021 maturity date of outstanding 7.875% senior notes).

Generally, proceeds of the Loans under the New Credit Agreement can be used to finance our working capital needs and for other general corporate purposes, including acquisitions and distributions permitted under the New Credit Agreement. The terms and covenants of the New Credit Agreement, taken as a whole, are substantially similar to those of the existing credit agreement.

In connection with entering into the New Credit Agreement, the Partnership incurred an extinguishment of debt charge of approximately $1.2 million pertaining to deferred financing costs on the existing credit agreement.

REVENUE RECOGNITION

Cemetery Operations

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

Funeral Home Operations

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

Trust Investment Income

Sales of cemetery and funeral home merchandise and services are subject to state law. Under these laws, which vary by state, a portion of the cash proceeds received from the sale of interment rights and pre-need sales of cemetery and funeral home merchandise and services are required to be deposited into trusts. For sales of interment rights, a portion of the cash proceeds received are required to be deposited into a perpetual care trust. While the principal balance of the perpetual care trust must remain in the trust in perpetuity, we recognize investment income on such assets as revenue, excluding realized gains and losses from the sale of trust assets. For sales of cemetery and funeral home merchandise and services, a portion of the cash proceeds received are required to be deposited into a merchandise trust until the merchandise is delivered or the services are performed, at which time the funds deposited, along with the associated investment income, may be withdrawn. Investment income from assets held in the merchandise trust is recognized as revenues when withdrawn. Amounts deposited into trusts are invested as recommended by our wholly-owned registered investment adviser and approved by the Trust Committee of the board of directors of our general partner, including use of investment managers. These investment managers are required to invest our trust funds in accordance with applicable state law and internal investment guidelines adopted by the Trust Committee. Our investment managers are monitored by our wholly-owned registered investment advisor, who advises the Trust Committee of asset allocations, evaluates the investment managers and provides detailed monthly reports on the performance of each merchandise and perpetual care trust.

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GENERAL TRENDS AND OUTLOOK

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

RESULTS OF OPERATIONS

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Cemetery Operations

Overview

We are currently the second largest owner and operator of cemeteries in the United States. At June 30, 2016, we operated 307 cemeteries in 27 states and Puerto Rico. We own 276 of these cemeteries and we manage or operate the remaining 31 under lease, operating or management agreements. Revenues from cemetery operations accounted for approximately 81.2% of our total revenues during the three months ended June 30, 2016.

Operating Results

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

	Three months ended June 30, 2016	Three months ended June 30, 2015
Merchandise	$ 37,855	$ 38,999
Services	13,676	15,367
Interest income	2,252	2,184
Investment and other	9,760	14,469
Total revenue	63,543	71,019
Cost of goods sold	12,042	13,333
Cemetery expense	17,485	19,279
Selling expense	16,391	15,769
General and administrative expense	8,993	9,192
Depreciation and amortization	2,014	1,904

Total cost and expenses		56,925		59,477
Operating income	$	6,618	$	11,542

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Cemetery merchandise revenues were $37.9 million for the three months ended June 30, 2016, a decrease of $1.1 million from $39.0 million for the three months ended June 30, 2015. The decrease was primarily due to a reduction in servicing of liabilities assumed in recent acquisitions. Cemetery services revenues were $13.7 million for the three months ended June 30, 2016, a decrease of $1.7 million from $15.4 million for the three months ended June 30, 2015. This decrease was primarily due to a reduction in opening and closing service revenues. Investment and other income was $9.8 million for the three months ended June 30, 2016, a decrease of $4.7 million from $14.5 million for the three months ended June 30, 2015. This was primarily attributed to a $3.3 million decrease in merchandise trust income due to a comparatively smaller deferred merchandise trust revenue balance in the current period. There was also a $1.0 million decrease in perpetual care trust income. Interest income remained consistent for the three months ended June 30, 2016 and 2015.

Cost of goods sold was $12.0 million for the three months ended June 30, 2016, a decrease of $1.3 million from $13.3 million for the three months ended June 30, 2015. This decrease was principally due to a decrease in related merchandise revenues.

Cemetery expenses were $17.5 million for the three months ended June 30, 2016, a decrease of $1.8 million from $19.3 million for the three months ended June 30, 2015. This decrease was principally due to a $1.1 million decrease in personnel costs and a $0.7 million decrease in repair and maintenance expenses.

Selling expenses were $16.4 million for the three months ended June 30, 2016, an increase of $0.6 million from $15.8 million for the three months ended June 30, 2015. This increase was primarily due to a $0.8 million increase in advertising and marketing costs, partially offset by a $0.2 million decrease in personnel costs.

General and administrative expenses were $9.0 million for the three months ended June 30, 2016, a decrease of $0.2 million from $9.2 million for the three months ended June 30, 2015. This decrease was primarily due to a $0.6 million decrease in personnel costs, partially offset by a $0.4 million increase in general overhead expenses.

Depreciation and amortization expense was consistent with the prior period, with $2.0 million for the three months ended June 30, 2016 compared to $1.9 million for the three months ended June 30, 2015.

Funeral Home Operations

Overview

At June 30, 2016, we owned and operated 107 funeral homes. These properties are located in 19 states and Puerto Rico. Revenues from funeral home operations accounted for approximately 18.8% of our total revenues during three months ended June 30, 2016.

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Operating Results

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

	Three months ended June 30, 2016	Three months ended June 30, 2015
Merchandise	$ 6,569	$ 6,250
Services	8,170	7,244
Total revenue	14,739	13,494
Merchandise	1,835	2,066
Service	6,151	5,703
Depreciation and amortization	858	802
Other	4,746	4,380
Total expenses	13,590	12,951
Operating income	$ 1,149	$ 543

Funeral home merchandise revenues were $6.6 million for the three months ended June 30, 2016, an increase of $0.3 million from $6.3 million for the three months ended June 30, 2015. Funeral home service revenues were $8.2 million for the three months ended June 30, 2016, an increase of $1.0 million from $7.2 million for the three months ended June 30, 2015. The increases were mostly due to increases in casket and at-need service revenue, respectively, primarily due to the locations acquired in the last twelve months.

Funeral home expenses were $13.6 million for the three months ended June 30, 2016, an increase of $0.6 million from $13.0 million for the three months ended June 30, 2015. This increase principally consists of a $0.4 million increase in personnel costs primarily due to the locations acquired in the last twelve months and a $0.2 million increase in costs associated with insurance-related sales.

Corporate Overhead

Corporate overhead was $9.7 million for the three months ended June 30, 2016, a decrease of $0.7 million from $10.4 million for the three months ended June 30, 2015. This decrease was principally due to a $0.7 million decrease in personnel costs.

Corporate Depreciation and Amortization

Depreciation and amortization expense was consistent with the prior period, with $0.3 million for the three months ended June 30, 2016, an increase of $0.1 million from $0.2 million for the three months ended June 30, 2015.

Other Gains and Losses

In the second quarter of 2016, we obtained additional information related to two of the acquisitions that closed during 2015. The changes resulted in an adjustment to the gain on acquisition recognized during the year ended December 31, 2015, reducing the gain by $0.8 million via a loss recognized in the current period in accordance with GAAP. Also, we sold a warehouse during the period for a gain of $1.3 million, of which $0.7 million was deferred in accordance with sale-leaseback accounting.

Interest Expense

Interest expense was relatively consistent with the prior period, with $5.7 million for the three months ended June 30, 2016, a decrease of $0.1 million from $5.8 million for the three months ended June 30, 2015.

Income Tax Expense

Income tax expense was $0.5 million for the three months ended June 30, 2016, an increase of $0.2 million from $0.3 million for the three months ended June 30, 2015. Our effective tax rate differs from our statutory tax rate primarily because our legal entity structure includes different tax filing entities, including a significant number of partnerships that are not subject to paying tax.

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Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Cemetery Operations

Operating Results

Revenues from cemetery operations accounted for approximately 80.0% of our total revenues during the six months ended June 30, 2016. The following table presents operating results for our cemetery operations for the respective reporting periods (in thousands):

	Six months ended June 30,	
	2016	2015
Merchandise	$ 70,623	$ 68,402
Services	27,139	29,924
Interest income	4,481	4,384
Investment and other	21,906	23,542
Total revenue	124,149	126,252
Cost of goods sold	22,762	23,162
Cemetery expense	33,341	35,544
Selling expense	30,967	29,679
General and administrative expense	18,197	18,521
Depreciation and amortization	3,984	3,810
Total cost and expenses	109,251	110,716
Operating income	$ 14,898	$ 15,536

Cemetery merchandise revenues were $70.6 million for the six months ended June 30, 2016, an increase of $2.2 million from $68.4 million for the six months ended June 30, 2015. The increase is principally due to increases in recognized sales of markers and mausoleums, partially offset by decreases in recognized sales of crypts and niches. Cemetery services revenues were $27.1 million for the six months ended June 30, 2016, a decrease of $2.8 million from $29.9 million for the six months ended June 30, 2015. This decrease was primarily due to a reduction in opening and closing service revenues. Investment and other income was $21.9 million for the six months ended June 30, 2016, a decrease of $1.6 million from $23.5 million for the six months ended June 30, 2015. This decrease was primarily due to a $3.0 million decrease in merchandise trust income attributable to a comparatively smaller deferred merchandise trust revenue balance in the current period, partially offset by $0.6 million increase in excess-land sale revenues with the remaining increase in miscellaneous income. Interest income remained consistent for both the six months ended June 30, 2016 and 2015.

Cost of goods sold was $22.8 million for the six months ended June 30, 2016, a decrease of $0.4 million from $23.2 million for the six months ended June 30, 2015. This decrease was primarily due to changes in the value and mix of products.

Cemetery expenses were $33.3 million for the six months ended June 30, 2016, a decrease of $2.2 million from $35.5 million for the six months ended June 30, 2015. This decrease was principally due to a $1.7 million decrease in personnel costs and a $0.5 million decrease in repair and maintenance expenses.

Selling expenses were $31.0 million for the six months ended June 30, 2016, an increase of $1.3 million from $29.7 million for the six months ended June 30, 2015. This increase was primarily due to a $0.4 million increase in personnel costs and a $0.9 million increase in advertising and marketing costs.

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General and administrative expenses were $18.2 million for the six months ended June 30, 2016, a decrease of $0.3 million from $18.5 million for the six months ended June 30, 2015. This decrease was primarily due to a $1.1 million decrease in personnel costs, $0.1 million decrease in insurance costs, partially offset by a $0.9 million increase in general overhead expenses.

Depreciation and amortization expense was relatively consistent with the prior period, with $4.0 million for the six months ended June 30, 2016 compared to $3.8 million for the six months ended June 30, 2015.

Funeral Home Operations

Operating Results

Revenues from funeral home operations accounted for approximately 20.0% of our total revenues during six months ended June 30, 2016. The following table presents operating results for our funeral home operations for the respective reporting periods (in thousands):

	Six months ended June 30,	
	2016	**2015**
Merchandise	$ 14,025	$ 13,325
Services	17,037	15,429
Total revenue	31,062	28,754
Merchandise	3,984	4,442
Service	12,602	11,296
Depreciation and amortization	1,735	1,601
Other	9,886	8,561
Total expenses	28,207	25,900
Operating income	$ 2,855	$ 2,854

Funeral home merchandise revenues were $14.0 million for the six months ended June 30, 2016, an increase of $0.7 million from $13.3 million for the six months ended June 30, 2015. Funeral home service revenues were $17.0 million for the six months ended June 30, 2016, an increase of $1.6 million from $15.4 million for the six months ended June 30, 2015. The overall increase was largely due to the locations acquired in the last twelve months, specifically with increases in casket and at-need service revenue, respectively.

Funeral home expenses were $28.2 million for the six months ended June 30, 2016, an increase of $2.3 million from $25.9 million for the six months ended June 30, 2015. This increase principally consists of a $1.4 million increase in personnel costs primarily due to the locations acquired in the last twelve months and a $0.5 million increase in costs associated with insurance-related sales.

Corporate Overhead

Corporate overhead was $20.0 million for the six months ended June 30, 2016, an increase of $0.5 million from $19.5 million for the six months ended June 30, 2015. This increase was principally due to a $2.6 million increase in acquisition-related costs, partially offset by a $1.3 million decrease in personnel costs, a $0.3 million decrease in professional fees and a $0.5 million decrease in advertising and marketing costs due to improved expense management. Acquisition costs may vary from period to period depending on the amount of acquisition activity that takes place.

Corporate Depreciation and Amortization

Depreciation and amortization expense was consistent with the prior period, with $0.5 million for the six months ended June 30, 2016 and 2015.

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Other Gains and Losses

In the second quarter of 2016, we obtained additional information related to two of the acquisitions that closed during 2015. The changes resulted in an adjustment to the gain on acquisition recognized during the year ended December 31, 2015, reducing the gain by $0.8 million via a loss recognized in the current period in accordance with GAAP. Also, we sold a warehouse during the period for a total gain of $1.3 million, of which $0.7 million was deferred in accordance with sale-leaseback accounting. In addition, a cease-use expense of $0.5 million was recorded due to the relocation of corporate headquarters to Trevose, Pennsylvania. We also sold a funeral home building and related real property for a net loss of $0.4 million.

Interest Expense

Interest expense was $11.5 million for the six months ended June 30, 2016, an increase of $0.3 million from $11.2 million for the six months ended June 30, 2015. This increase was principally due to an increase in interest expense on amounts outstanding under the credit facility, which had higher average amounts outstanding during the current period than the comparable period.

Income Tax Expense

Income tax expense was $0.8 million for the six months ended June 30, 2016, an increase of $0.4 million from $0.4 million for the six months ended June 30, 2015. 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 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Interments performed	13,401	14,024	27,034	28,636
Interment rights sold (1)				
Lots	8,635	8,844	15,241	15,894
Mausoleum crypts (including pre-construction)	582	715	1,052	1,333
Niches	403	475	755	844
Net interment rights sold (1)	9,620	10,034	17,048	18,071
Number of cemetery contracts written	28,365	30,227	54,396	57,626
Number of pre-need cemetery contracts written	12,784	13,965	24,160	26,048
Number of at-need cemetery contracts written	15,581	16,262	30,236	31,578

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

LIQUIDITY AND CAPITAL RESOURCES

General

Our primary sources of liquidity are cash generated from operations, borrowings under our revolving credit facility and capital raised through the issuance of additional limited partner units. As an MLP, our primary cash requirements, in addition to normal operating expenses, are for cash distributions, debt service and capital expenditures. In general, we expect to fund:

- cash distributions in accordance with our partnership agreement and maintenance capital expenditures through available cash and cash flows from operating activities;
- expansion capital expenditures and working capital deficits through cash generated from operations and additional borrowings; and

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

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

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

Cash Flows Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Net cash flows provided by operating activities were $8.5 million during the six months ended June 30, 2016, an increase of $4.5 million from $4.0 million during the six months ended June 30, 2015. The $4.5 million favorable movement in net cash provided by operating activities resulted from a $6.2 million favorable movement in working capital and a $1.7 million unfavorable movement in net income excluding non-cash items. The favorable movement in working capital was principally due to larger withdrawals from and smaller realized gains in our merchandise trusts. The unfavorable movement in net income excluding non-cash items was due principally to our cemetery operations.

Net cash used in investing activities was $7.2 million during the six months ended June 30, 2016, a decrease of $0.1 million from $7.3 million during the six months ended June 30, 2015. Net cash used in investing activities during the six months ended June 30, 2016 consisted of $7.5 million for capital expenditures and $1.5 million for acquisitions, partially offset by proceeds from asset sales of $1.8 million. Net cash used in investing activities during the six months ended June 30, 2015 principally consisted of $7.3 million for capital expenditures.

Net cash flows used in financing activities were $7.0 million for the six months ended June 30, 2016 compared to net cash flows provided by financing activities of $6.3 million for the six months ended June 30, 2015. Cash flows used in financing activities during the six months ended June 30, 2016 consisted primarily of cash distributions of $44.7 million and $36.5 million of net repayments of debt, partially offset by $74.5 million of net proceeds from the issuance of common units. Cash flows provided by financing activities during the six months ended June 30, 2015 consisted primarily of $42.6 million of net borrowings, partially offset by cash distributions of $36.3 million.

Capital Expenditures

Our capital requirements consist primarily of:

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Maintenance capital expenditures	$ 1,289	$ 2,065	$ 4,293	$ 3,379
Expansion capital expenditures	1,655	2,370	3,211	3,871
Total capital expenditures	$ 2,944	$ 4,435	$ 7,504	$ 7,250

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Issuance of Common Units

During the six months ended June 30, 2016, we issued 903,682 common units under the ATM program for net proceeds of $23.0 million.

On April 20, 2016, we completed a follow-on public offering of 2,000,000 common units at a public offering price of $23.65 per unit. Additionally, the underwriters exercised their option to purchase an additional 300,000 common units. The offering resulted in net proceeds, after deducting underwriting discounts and offering expenses, of $51.5 million. The proceeds from the offering were used to pay down outstanding indebtedness under the Credit Facility.

Long-Term Debt

Credit Facility

We are a party to the Fourth Amended and Restated Credit Agreement, as amended (the Credit Agreement), which provides for a single revolving credit facility of $180.0 million (the Credit Facility) maturing on December 19, 2019. Additionally, the Credit Agreement provides for an uncommitted ability to increase the Credit Facility by an additional $70.0 million. Our obligations under the Credit Facility are secured by substantially all of our assets, excluding those held in trust. Borrowings under the Credit Facility are classified as either acquisition draws or working capital draws. Acquisition draws may be utilized to finance permitted acquisitions, the purchase and construction of mausoleums and related costs or the net amount of merchandise trust deposits. Working capital draws may be utilized to finance working capital requirements, capital expenditures and for other general corporate purposes. The amount of the Credit Facility that is available for working capital draws is subject to a borrowing formula equal to 85% of eligible accounts receivable, as defined within the Credit Agreement. At June 30, 2016, the amount available under the Credit Facility for working capital advances under this limit was $143.9 million, of which $68.0 million was outstanding at June 30, 2016.

Each individual acquisition draw is subject to equal quarterly amortization of the principal amount, with annual principal payments comprised of ten percent of the related advance amount, commencing on the second anniversary of such advance, with the remaining principal due on December 19, 2019, subject to certain mandatory prepayment requirements. Up to $10.0 million of the Credit Facility may be in the form of standby letters of credit, of which there were $6.5 million outstanding at June 30, 2016 and none outstanding at December 31, 2015.

Borrowings under the Credit Facility bear interest, at our election, at either an adjusted LIBOR rate plus an applicable margin between 2.25% and 4.00% per annum or the base rate (which is the higher of the bank s prime rate, the Federal funds rate plus 0.5% or one-month LIBOR plus 1.00%) plus an applicable margin between 1.25% and 3.00% per annum. We are also required to pay a fee on the unused portion of the Credit Facility at a rate between 0.375% and 0.8% per annum, which is included within interest expense on our consolidated statements of operations. At June 30, 2016, the weighted average interest rate on outstanding borrowings under the Credit Facility was 4.4%.

The Credit Agreement contains customary covenants that limit our ability to incur additional indebtedness, grant liens, make loans or investments, make cash distributions if a default exists or would result from the distribution, merger or consolidation with other persons, or engage in certain asset dispositions including the sale of all or substantially all of its assets. We were in compliance with these covenants as of June 30, 2016. The Credit Agreement also requires us to maintain:

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

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

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

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Senior Notes

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

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

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

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

The Senior Notes are jointly and severally guaranteed by certain of our material subsidiaries. The Indenture governing the Senior Notes contains covenants, including limitations of our ability to incur certain additional indebtedness and liens, make certain dividends, distributions, redemptions or investments, enter into certain transactions with affiliates, make certain asset sales, and engage in certain mergers, consolidations or sales of all or substantially all of our assets, among other items. As of June 30, 2016, we were in compliance with these covenants.

Cash Distribution Policy

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

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

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

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

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

Agreements with the Archdiocese of Philadelphia

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

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

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

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires making estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of actual revenue and expenses during the reporting period. Although we base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, actual results may differ from the estimates on which our financial statements are prepared at any given point of time. Changes in these estimates could materially affect our financial position, results of operations or cash flows. Significant items that are subject to such estimates and assumptions include revenue and expense accruals, fair value of merchandise and perpetual care trusts assets and the allocation of purchase price to the fair value of assets acquired. A discussion of our significant accounting policies we have adopted and followed in the preparation of our consolidated financial statements was included in our Annual Report on Form 10-K/A for the year ended December 31, 2015, and we summarize our significant accounting policies within our consolidated financial statements included in Note 1 under Item 1 of this Form 10-Q/A.

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ITEM 4. CONTROLS AND PROCEDURES (As Revised)

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.

In connection with our Original Filing, 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 on that evaluation, as of June 30, 2016, our Chief Executive Officer and 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.

In connection with the restatement of our consolidated financial statements (see Note 2, *Restatement of Previously Issued Consolidated Financial Statements*, under Item 1. Financial Statements unaudited), under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, we re-evaluated the effectiveness of our disclosure controls and procedures. In conducting our re-evaluation, we considered the material weaknesses in our internal control over financial reporting as discussed below. Based on this reevaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2016.

As discussed in the Explanatory Note and Note 2, *Restatement of Previously Issued Consolidated Financial statements,* included in this Form 10-Q/A, we determined to restate our previously issued financial statements to correct for errors associated with the recognition and presentation of certain revenues, expenses, assets, and liabilities, both recognized and deferred, the allocation of income and loss to our partners, and errors in the processing of transactions. As a result of this restatement, management identified deficiencies in our processes and procedures that constitute material weaknesses in our internal control over financial reporting as follows:

A. The Partnership did not design and maintain effective controls over establishing accounting policies nor did they periodically review them for appropriate application in the financial statements.

B. The Partnership did not design and maintain effective controls over the review of certain recorded balances within Deferred cemetery revenues, net, Merchandise liability, Investment and other revenues, Cemetery property, and Partners Capital .

C. The Partnership did not design and maintain effective controls over the reconciliation of amounts recorded in the general ledger to relevant supporting details.

In connection with the restatement of our consolidated financial statements, management re-evaluated the effectiveness of our internal control over financial reporting. Based on that re-assessment, management concluded that our internal control over financial reporting was not effective as of December 31, 2015, due to the material weaknesses described above.

Management is committed to the remediation of the material weaknesses, as well as the continued improvement of our internal control over financial reporting (ICFR). We are in the process of implementing measures to remediate the underlying causes of the control deficiencies that gave rise to the material weaknesses, which primarily include:

1. Reevaluating and establishing, on a periodic basis, accounting policies and the appropriate application thereof;

2. Enhancing control procedures related to the review of certain recorded balances affected by the material weaknesses to ensure the appropriateness of such balances; and

3. Enhancing the control procedures related to the reconciliation of amounts recorded in the general ledger to relevant supporting details.

We believe these measures will remediate the material weaknesses noted. While we have completed some of these measures as of the date of this report, we have not completed and tested all of the planned corrective processes, enhancements, procedures and related evaluation that we believe are necessary to determine whether the material weaknesses have been fully remediated. We believe the corrective actions and controls need to be in operation for a sufficient period of time for management to conclude that the control environment is operating effectively and has been adequately tested through audit procedures. Therefore, the material weaknesses have not been fully remediated as of the date of this report. As we continue to evaluate and work to remediate the control deficiencies that gave rise to the material weaknesses, we may determine that additional measures or time are required to address the control deficiencies or that we need to modify or otherwise adjust the remediation measures described above. We will continue to assess the effectiveness of our remediation efforts in connection with our evaluation of our ICFR.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except as set forth above, there have been no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II Other Information

Item 6. Exhibits

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

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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
November 9, 2016	/s/ Lawrence Miller Lawrence Miller Chief Executive Officer, President and Chairman of the Board of Directors (Principal Executive Officer)
November 9, 2016	/s/ Sean P. McGrath Sean P. McGrath Chief Financial Officer (Principal Financial Officer)

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EXHIBIT INDEX

Exhibit Number	Description
10.1**	Restricted Phantom Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, entered into as of April 1, 2016, by and between StoneMor GP LLC and William Shane (incorporated by reference to Exhibit 10.1 of Registrant s Original Filing filed on August 5, 2016).
10.2**	Letter Agreement by and between Austin So and StoneMor GP LLC, dated May 26, 2016 (incorporated by reference to Exhibit 10.1 of Registrant s Original Filing filed on August 5, 2016).
10.3**	Confidentiality, Nondisclosure and Restrictive Covenant Agreement by and between Austin So and StoneMor GP LLC, dated May 26, 2016 (incorporated by reference to Exhibit 10.1 of Registrant s Original Filing filed on August 5, 2016).
31.1	Certification pursuant to Exchange Act Rule 13a-14(a) of Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of Directors.
31.2	Certification pursuant to Exchange Act Rule 13a-14(a) of Sean P. McGrath, Chief Financial Officer.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of Directors (furnished herewith).
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Sean P. McGrath, Chief Financial Officer (furnished herewith).
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 June 30, 2016, and December 31, 2015; (ii) Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015; (iii) Unaudited Condensed Consolidated Statement of Partners Capital (Deficit); (iv) Unaudited Condensed Consolidated Statement of Cash Flows for the three and six months ended June 30, 2016 and 2015; 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.

** Previously filed with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 as originally filed with the Securities and Exchange Commission on August 5, 2016.