

STONEMOR PARTNERS LP
Form 10-K
April 03, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

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 (I.R.S. Employer

incorporation or organization) Identification No.)

3600 Horizon Boulevard

Treose, Pennsylvania 19053
(Address of principal executive offices) (Zip Code)

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

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

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Title of each class Name of each exchange on which registered
Common Units New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

| | |
|-------------------------|---------------------------|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer | Smaller reporting company |
| | Emerging growth company |

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

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

The aggregate market value of the common units held by non-affiliates of the registrant was approximately \$90.5 million as of June 30, 2018 based on \$6.03, the closing price per common unit as reported on the New York Stock Exchange on June 29, 2018.¹

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

Documents incorporated by reference: None

The aggregate market value of the common units set forth above equals the number of the registrant's common units outstanding, reduced by the number of common units held by executive officers, directors and persons owning 10% or more of the registrant's common units, multiplied by the closing price per the registrant's common unit on June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter. The information provided shall in no way be construed as an admission that any person whose holdings are excluded from this figure is an affiliate of the registrant or that any person whose holdings are included in this figure is not an affiliate of the registrant and any such admission is hereby disclaimed. The information provided herein is included solely for record keeping purposes of the Securities and Exchange Commission.

FORM 10-K OF STONEMOR PARTNERS L.P.

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PART I

ITEM 1. BUSINESS
OVERVIEW

Background

We were formed as a Delaware limited partnership in April 2004 to own and operate the assets and businesses previously owned and operated by Cornerstone Family Services, Inc., ("Cornerstone"), which was converted into CFSI LLC, a limited liability company ("CFSI"), prior to our initial public offering of common units representing limited partner interests on September 20, 2004. On May 21, 2014, Cornerstone Family Services LLC, a Delaware limited liability company ("CFS"), and its direct and indirect subsidiaries, CFSI LLC and StoneMor GP LLC, our general partner ("StoneMor GP" or "general partner"), completed a series of transactions (the "Reorganization") to streamline the ownership structure of CFSI and StoneMor GP. As a result of the Reorganization, StoneMor GP became a 100% owned subsidiary of StoneMor GP Holdings LLC, a Delaware limited liability company ("GP Holdings"), formerly known as CFSI, and GP Holdings is owned by (i) a trustee of the trust established for the pecuniary benefit of American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company ("ACII"), which trustee has exclusive voting and investment power over approximately 89.01% of the membership interests in GP Holdings, and (ii) certain directors, affiliates of certain directors and current and former executive officers of our general partner. See Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this Annual Report on Form 10-K for a more detailed discussion of the Reorganization. In this Annual Report on Form 10-K, unless the context otherwise requires, references to "we," "us," "our," "StoneMor," the "Company," or the "Partnership" are to StoneMor Partners L.P. and its subsidiaries.

This is the first Annual Report on Form 10-K we are filing as a smaller reporting company within the meaning of Rule 12b-2 under the Securities Exchange Act of 1934, as amended. As a smaller reporting company, we may choose to comply with certain scaled or non-scaled financial and non-financial disclosure requirements on an item by item basis.

Proposed Merger and Reorganization

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

The completion of the Merger is subject to the satisfaction or waiver of customary closing conditions, including, without limitation: (a) approval of the Merger Agreement by the holders of a majority of the outstanding Common Units, (b) there being no law or injunction prohibiting the consummation of the Merger, (c) subject to specified materiality standards, the accuracy of the representations and warranties of the parties, (d) compliance by the parties in all material respects with their respective covenants, (e) the effectiveness of a registration statement on Form S-4, (f) the approval for listing of the Company shares to be issued in the Merger on the New York Stock Exchange or any other national securities exchange and (g) the Company's assumption of a long-term incentive plan as specified in the Merger Agreement.

See “Part I—Item 1A. Risk Factors—”There can be no assurance that the proposed C-Corporation Conversion will be approved and ultimately consummated or that the anticipated benefits of any such transactions will be realized;” and “If the C-Corporation Conversion does not occur, we will not benefit from the expenses we have incurred in the pursuit of the C-Corporation Conversion” in this Annual Report on Form 10-K.

Products and Service Offerings

We are currently the second largest owner and operator of cemeteries and funeral homes in the United States. As of December 31, 2018, we operated 322 cemeteries in 27 states and Puerto Rico. We own 291 of these cemeteries and we manage or operate the remaining 31 under lease, management or operating agreements with the nonprofit cemetery companies that own the cemeteries. As of December 31, 2018, we also owned, operated or managed 90 funeral homes, including 42 located on the grounds of cemetery properties that we own, in 17 states and Puerto Rico.

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

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

We sell these products and services both at the time of death, which we refer to as at-need, and prior to the time of death, which we refer to as pre-need. Our sales of real property, including burial lots (with and without installed vaults), lawn and mausoleum crypts and cremation niches, generally generate qualifying income sufficient for us to be treated as a partnership for federal income tax purposes. In 2018, we performed 54,773 burials and sold 30,063 interment rights (net of cancellations). Based on our sales of interment spaces in 2018, our cemeteries have an aggregate average remaining sales life of 223 years.

Our cemetery properties are located in Alabama, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Mississippi, Missouri, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Tennessee, Virginia, Washington, West Virginia and Wisconsin. Our cemetery operations accounted for approximately 83% and 82% of our revenues in 2018 and 2017, respectively.

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

Our funeral homes are located in Alabama, California, Florida, Illinois, Indiana, Kansas, Maryland, Mississippi, Missouri, North Carolina, Ohio, Oregon, Pennsylvania, Puerto Rico, South Carolina, Tennessee, Virginia and West Virginia. Our funeral home operations accounted for approximately 17% and 18% of our consolidated revenues in 2018 and 2017, respectively. Our funeral home operations are conducted through various 100% owned subsidiaries that are treated as corporations for U.S. federal income tax purposes.

OPERATIONS

Segment Reporting and Related Information

We have two distinct reportable segments, which are classified as Cemetery Operations and Funeral Home Operations segments, both of which are supported by corporate costs and expenses.

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

Cemetery Operations

As of December 31, 2018, we operated 322 cemeteries. Our Cemetery Operations include sales of cemetery interment rights, merchandise and services and the performance of cemetery maintenance and other services. An interment right entitles a customer to a burial space in one of our cemeteries and the perpetual care of that burial space. Burial spaces, or lots, are parcels of property that hold interred human remains. Our cemeteries require a burial vault to be placed in each burial lot. A burial vault is a rectangular container, usually made of concrete but also made of steel or plastic, which sits in the burial lot and in which the casket is placed. The top of the burial vault is buried approximately 18 to 24 inches below the surface of the ground, and the casket is placed inside the vault. Burial vaults prevent ground settling that may create uneven ground surfaces. Ground settling typically results in higher maintenance costs and potential exposure for accidents on the property. Lawn crypts are a series of closely spaced burial lots with preinstalled vaults and may include other improvements, such as landscaping, sprinkler systems and drainage. A mausoleum crypt is an above ground structure that may be designed for a particular customer, which we refer to as a private mausoleum, or it may be a larger building that serves multiple customers, which we refer to as a community mausoleum. Cremation niches are spaces in which the ashes remaining after cremation are stored. Cremation niches are often part of community mausoleums, although we sell a variety of cremation niches to accommodate our customers' preferences.

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

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

Funeral Home Operations

As of December 31, 2018, we owned, operated or managed 90 funeral homes, 42 of which are located on the grounds of cemetery properties that we own. Our funeral homes offer a range of services to meet a family's funeral needs, including family consultation, final expense insurance products, the removal and preparation of remains, provision of caskets and related funeral merchandise, the use of funeral home facilities for visitation, worship and performance of funeral services and transportation services. Funeral Home Operations primarily generate revenues from at-need sales.

Cremation Products and Services

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

Seasonality

Although the death care business is relatively stable and predictable, our results of operations may be subject to seasonal fluctuations in deaths due to weather conditions and illness. We generally perform fewer initial openings and closings in the winter when the ground is frozen in many of the areas in which we operate. We may also experience declines in contracts written during the winter months due to inclement weather, which makes it more difficult for our sales staff to meet with customers.

Sales Contracts

Pre-need products and services are typically sold on an installment basis. At-need products and services are generally required to be paid for in full in cash by the customer at the time of sale. As a result of our pre-need sales, the backlog of unfulfilled pre-need performance obligations recorded in deferred revenues was \$914.3 million and \$912.6 million at December 31, 2018 and 2017, respectively.

Trusts

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

proceeds or costs of the products and services we sell.

Sales Personnel, Training and Marketing

As of December 31, 2018, we employed 716 full-time commissioned salespeople 7 part-time commissioned salespeople and salaried sales managers and 25 full-time sales support and telemarketing employees. We had five regional sales vice presidents supporting our Cemetery Operations who report to the Chief Operating Officer. The regional sales vice presidents have dotted lines reporting to our National Vice President of Sales and Marketing. Individual salespersons are typically located at the cemeteries they serve and report directly to the cemetery sales manager. We have made a commitment to the ongoing education and training of our sales force and to salesperson retention in order to provide our customers high quality customer service and in an effort to comply with all applicable laws and requirements. Our training program includes classroom training at regional training locations, field training, periodically updated training materials that utilize media, such as web based modules, for interactive training and participation in industry seminars. We place special emphasis on training property sales managers, who are key elements to a successful pre-need sales program.

We reward our salespeople with incentives for attaining certain sales volume. Sales force performance is evaluated by sales budgets, sales mix and closing ratios, which are equal to the number of contracts written divided by the number of presentations that are made. Substantially all of our sales force is compensated based solely on performance. Commissions are augmented with various bonus and incentive packages in an effort to attract and retain a high quality, motivated sales force. We pay commissions

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to our sales personnel on pre-need contracts based upon a percentage of the value of the underlying contracts. Such commissions vary depending upon the type of interment right, merchandise and services sold. We also pay commissions on at-need contracts that are generally based upon a variable percentage based upon products selected on the contract. In addition, some cemetery managers receive an override commission that is equal to a percentage of the gross sales price of the contracts entered into by the salespeople assigned to the cemeteries they manage. All new sales managers that are hired are paid a salary plus a monthly bonus for reaching revenue targets.

We generate sales leads through digital marketing, direct mail, websites, funeral follow-up and sales force cold calling, with the assistance of database mining and other marketing resources. We have created a marketing department to allow us to use more sophisticated marketing techniques to focus more effectively our lead generation and direct sales efforts. Sales leads are referred to the sales force to schedule an appointment, either at the customer's home or at the cemetery location.

Acquisitions

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

Competition

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

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

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

We believe that we currently face limited competition for cemetery acquisitions. The two publicly held death care companies identified above, as well as Stewart Enterprises, Inc., which was acquired by Service Corporation

International in December 2013, have historically been the industry's primary consolidators, but have largely curtailed cemetery acquisition activity since 1999. Furthermore, these companies continue to generate the majority of their revenues from funeral home operations. Based on the relative levels of cemetery and funeral home operations of these publicly traded death care companies, which are disclosed in their filings with the Securities and Exchange Commission (the "SEC"), we believe that we are the only publicly held death care company that focuses a significant portion of its efforts on Cemetery Operations.

REGULATION

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

Cooling-Off Legislation

Each of the states where our current cemetery and funeral home properties are located has "cooling-off" legislation with respect to pre-need sales of cemetery and funeral home products and services. This legislation generally requires us to refund proceeds from pre-need sales contracts if canceled by the customer for any reason within three to thirty days from the date of the contract, depending on the state (and some states permit cancellation and require refund beyond thirty days) including until death. The

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Federal Trade Commission ("FTC") also requires a cooling-off period of three business days for door to door sales, during which time a contract may be cancelled entitling a customer to a refund of the funds paid.

Trusting

Sales of cemetery interment rights and pre-need sales of cemetery and funeral home merchandise and services are generally subject to trusting requirements imposed by state laws in most of the states where we operate. See Critical Accounting Policies and Estimates in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1, Note 7 and Note 8 in Part II, Item 8. Financial Statements and Supplementary Data, for further discussion regarding trusting.

Truth in Lending Act and Regulation Z

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

Other Consumer Credit-Related Laws and Regulations

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank")

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

Telemarketing Laws

We are subject to the requirements of two federal statutes governing telemarketing practices, the Telephone Consumer Protection Act ("TCPA") and the Telemarketing and Consumer Fraud and Abuse Prevention Act ("TCFAPA"). These statutes impose significant penalties on those who fail to comply with their mandates. The Federal Communications Commission ("FCC"), is the federal agency with authority to enforce the TCPA, and the FTC has jurisdiction under the TCFAPA. The FTC and FCC jointly administer a national "do not call" registry, which consumers can join in order to prevent unwanted telemarketing calls. Primarily as a result of implementation of the "do not call" legislation

and regulations, the percentage of our pre-need sales generated from telemarketing leads has decreased substantially in the past ten years. We are also subject to similar telemarketing consumer protection laws in all states in which we currently operate. These states' statutes similarly permit consumers to prevent unwanted telephone solicitations. In addition, in cases where telephone solicitations are permitted, there are various restrictions and requirements under state and federal law in connection with such calls.

Occupational Safety and Health Act and Related Environmental Law Requirements

We are subject to the requirements of the Occupational Safety and Health Act ("OSHA") and comparable state statutes. OSHA's regulatory requirement, known as the Hazard Communication Standard, and similar state statutes require us to provide information and training to our employees about hazardous materials used or maintained for our operations. We may also be subject to Tier 1 or Tier 2 Emergency and Hazardous Chemical Inventory reporting requirements under the Emergency Planning and Community Right-to-Know Act ("EPCRA"), depending on the amount of hazardous materials maintained on-site at a particular facility (requiring reporting to federal, state and local authorities). We are also subject to the federal Americans with Disabilities Act and similar laws, which, among other things, may require that we modify our facilities to comply with minimum accessibility requirements for disabled persons.

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Federal Trade Commission

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

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

Future Enactments and Regulation

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

Environmental Regulations and Liabilities

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

Clean Air Act

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

Emergency Planning and Community Right-to-Know Act

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

Clean Water Act

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

Comprehensive Environmental Response, Compensation, and Liability Act

The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and similar state laws affect our cemetery and funeral home operations by, among other things, imposing investigation and remediation obligations for threatened or actual releases of hazardous substances that may endanger public health or welfare or the

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environment. Under CERCLA and similar state laws, strict, joint and several liability may be imposed upon generators, site owners and operators and others regardless of fault or the legality of the original disposal activity. Our operations include the use and off-site disposal of some materials that may meet the definition of "hazardous substances" under CERCLA or state laws and thus may give rise to liability if released to the environment through a spill or other release at our facilities. Should we acquire new properties with pre-existing conditions triggering CERCLA or similar state liability, we may become liable for responding to those conditions under CERCLA or similar state laws. We may become involved in proceedings, litigation or investigations at one or more sites where releases of hazardous substances have occurred, and we cannot assure you that the associated costs and potential liabilities would not be material.

Underground and Above Ground Storage Tank Laws and Solid Waste Laws

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

Employees

As of December 31, 2018, our general partner and its affiliates employed 2,630 full-time, 301 part-time and 21 seasonal employees. Fifty-three of these employees are represented by various unions in Pennsylvania, Ohio, California, New Jersey and Illinois, and are subject to collective bargaining agreements that have expiration dates ranging from September 2020 to May 2023. We believe that our relationship with our employees is generally favorable.

Available Information

We file annual, quarterly and other reports, and any amendments to those reports, and other information with the Securities exchange Commission, ("SEC"). The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

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

viewing and copying at such Internet website, free of charge, as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC.

ITEM 1A. RISK FACTORS

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements.

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

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and the related notes. Many such factors are beyond our ability to control or predict. Investors are cautioned not to put undue reliance on forward-looking statements that involve risks and uncertainties.

RISK FACTORS RELATED TO OUR STRATEGIES

Our ability to execute our strategic plan depends on many factors, some of which are beyond our control.

Our strategic plan is focused on efforts to revitalize the business, growing our revenue and managing our operating and non-recurring operating expenses. Many of the factors that impact our ability to execute our strategic plan, such as the number of deaths and general economic conditions, are beyond our control. Changes in operating conditions, such as supply disruptions and labor disputes, could negatively impact our operations. Our inability to leverage scale to drive cost savings, productivity improvements, preneed production, or earnings growth anticipated by management could affect our financial performance. Our inability to identify divestitures as planned or to realize expected synergies and strategic benefits could impact our financial performance. Our inability to deploy capital to maximize shareholder value could impact our financial performance. We cannot give assurance that we will be able to execute any or all of our strategic plan. Failure to execute any or all of our strategic plan could have a material adverse effect on our financial condition, results of operations, and cash flows.

There can be no assurance that the proposed C-Corporation Conversion will be approved and ultimately consummated or that the anticipated benefits of any such transactions will be realized.

The Merger Agreement contains certain termination rights and customary closing conditions, including unitholder approval, and other third party approvals. We cannot predict whether or when the proposed transactions will be approved by the requisite vote of the unitholders or other conditions precedent will be satisfied. Any changes in the market prices of our common units could affect whether the securityholders ultimately approve the proposed transactions. If the conditions precedent to closing the C-Corporation Conversion are not satisfied or waived, the C-Corporation Conversion will not occur, which may cause the market price of our common units to decline.

Uncertainties about the timing and effect of the proposed transactions may have an adverse effect on us. These uncertainties may have negative impacts on the market price of our common units, our businesses and financial results.

If the C-Corporation Conversion does not occur, we will not benefit from the expenses we have incurred in the pursuit of the C-Corporation Conversion.

The C-Corporation Conversion may not be completed. If the C-Corporation Conversion is not completed, we will have incurred substantial expenses for which we will have received no ultimate benefit. We expect to incur conversion-related expenses consisting of independent advisory, legal and accounting fees, and financial printing and other related charges, much of which may be incurred even if the C-Corporation Conversion is not completed.

RISK FACTORS RELATED TO OUR BUSINESS

Unfavorable publicity could affect our reputation and business.

Since our operations relate to life events involving emotional stress for our client families, our business is dependent on customer trust and confidence. Unfavorable publicity about our business generally or in relation to any specific location could affect our reputation and customers' trust and confidence in our products and services, thereby having an adverse impact upon our sales and financial results.

Cemetery burial practice claims could have a material adverse impact on our financial results.

Our cemetery practices have evolved and improved over time. Most of our cemeteries have been operating for decades and, therefore, may have used practices and procedures that are outdated in comparison to today's standards. When cemetery disputes occur, we may be subjected to litigation and liability for improper burial practices, including (i) burial practices of a different era that are judged today in hindsight as being outdated and (ii) alleged violations of our practices and procedures by one or more of our associates. In addition, since most of our cemeteries were acquired through various acquisitions, we may be subject to litigation and liability based upon actions or events that occurred before we acquired or managed the cemeteries. Claims or litigation based upon our cemetery burial practices could have a material adverse impact on our financial condition, results of operations and cash flows.

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We recently have not had sufficient cash from operations to pay distributions to our unitholders after we have paid our expenses, including the expenses of our general partner, funded merchandise and perpetual care trusts and established necessary cash reserves, and we may not have sufficient cash to resume paying distributions or restore them to previous levels.

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

- the volume of our sales;
- the prices at which we sell our products and services; and
- the level of our operating and general and administrative costs.

Given the Partnership's level of cash and cash equivalents, to preserve capital resources and liquidity, the Board of Directors of the General Partner concluded that it was not in the best interest of unitholders to pay distributions to unitholders after the first quarter of 2017. In addition, our revolving credit facility effectively prohibits us from making distributions to unitholders.

If we do not pay distributions or restore them to previous levels, the market price of our common units may decline materially or remain stagnant.

We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on, or to refinance, our debt obligations depends, in part, on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, commodity risks and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investment decisions and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The agreement relating to our senior credit facilities and the indenture governing our senior notes restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. If we breach our covenants under our senior credit facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior credit facilities, and the lenders could exercise their rights and we could be forced into bankruptcy or liquidation.

Our substantial level of indebtedness could materially adversely affect our ability to fulfill our debt obligations and to operate our business.

We have a substantial amount of debt, which requires significant interest and principal payments. As of March 31, 2019, we had approximately \$190.2 million of total debt outstanding on our Amended Credit Agreement, which includes \$165.1 million of total debt outstanding under our Tranche A Revolving Credit Facility in the form of letters of credit totaling approximately \$9.4 million, and \$155.7 million outstanding principal amount of Tranche A Revolving Loans, and \$25.0 million of total debt outstanding under our Tranche B Revolving Credit Facility. We utilize our credit facility to finance our operations. In addition, as of March 31, 2019, we had \$175.0 million aggregate principal amount of 7.875% Senior Notes due 2021 outstanding.

Leverage makes us more vulnerable to economic or business downturns and our cash flow available for operations is reduced by the cash flow we must dedicate to servicing our debt obligations. The amount of indebtedness we have could limit our flexibility in planning for, or reacting to, changes in the markets in which we compete, limit our ability to obtain additional financing, if necessary, for working capital expenditures, acquisitions or other purposes, and require us to dedicate more cash flow to service our debt than we desire. Our ability to satisfy our indebtedness as required by the terms of our debt will be dependent on, among other things, the successful execution of our long-term strategic plan. Our ability to incur additional debt is constrained by provisions contained in our existing debt documents.

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We may not be able to secure refinancing for our existing indebtedness prior to maturity thereof.

Indebtedness under our Tranche A Revolving Credit Facility has a fixed maturity on May 1, 2020. Indebtedness under our Tranche B Revolving Credit Facility becomes due and payable on May 4, 2020. Our Amended Credit Agreement also requires us to undertake prompt efforts to seek to consummate its refinancing, including provisions that require the payment of ticking fees if we have not refinanced the facility prior to July 1, 2019 and on specified dates thereafter. In addition, the \$175 million aggregate principal amount of our 7.875% Senior Notes is due on June 1, 2021. Although we will be seeking to refinance our credit facility prior to July 1, 2019, or in any event prior to maturity, such efforts may not be successful. If we are unable to secure refinancing for our credit facility indebtedness before maturity, we may be required to seek an extension from our lenders, which may not be obtainable, or may need to effect a comprehensive restructuring of our outstanding indebtedness.

Restrictions in our existing debt agreements prohibit our ability to make distributions to you or capitalize on acquisition, disposition and other business opportunities. Our General Partner suspended distributions during the first quarter of 2017 and does not expect to resume distributions until our indebtedness is refinanced.

The operating and financial restrictions and covenants in our credit facility and senior notes, and the indenture pursuant to which they were issued, restrict our ability to finance future operations or capital needs, including working capital, or to expand or pursue our business activities. For example, our indenture and our credit facility contain covenants that restrict or limit our ability to:

- enter into any agreement of merger or acquisition;

- sell, transfer, assign or convey assets;

- grant certain liens;

- incur or guarantee additional indebtedness;

- make certain loans, advances and investments;

- declare and pay dividends and distributions;

- enter into transactions with affiliates; and

- make voluntary payments or modifications of certain indebtedness.

In addition, our credit facility contains a covenant requiring us to maintain certain minimum EBITDA levels. Restrictions in our debt agreements also limit our ability to obtain future financings and require we use proceeds from most dispositions to prepay loans which cannot be re-borrowed.

Our ability to comply with the covenants and restrictions contained in our senior notes and the indenture pursuant to which they were issued and in our credit facility may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions continue to deteriorate, our ability to comply with these covenants may be impaired.

In addition, our credit facility effectively prohibits us from making distributions to our unitholders. The Amended Credit Agreement prohibits us from making distributions to unitholders unless we have at least \$25.0 million in availability under the Tranche A Revolving Credit Facility and maintain a consolidated leverage ratio of not greater than 7.50:1.00. Neither test can be satisfied currently or is expected to be satisfied for the foreseeable future.

If we violate any of the restrictions, covenants, ratios or tests in our Amended Credit Agreement or the indenture pursuant to which the senior notes were issued, or fail to pay amounts thereunder when due, the lenders will be able to accelerate the maturity of all borrowings thereunder, cause cross-default and demand repayment of amounts outstanding, and our Tranche B Revolving Lenders' commitment to make further loans to us under the Tranche B Revolving Credit Facility may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. Any subsequent replacement of our debt obligations or any new indebtedness could have similar or greater restrictions.

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

Pursuant to state law, a portion of the proceeds from pre-need sales of merchandise and services is put into merchandise trusts until such time that the Partnership meets the requirements for releasing trust principal, which is generally delivery of

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merchandise or performance of services. All investment earnings generated by the assets in the merchandise trusts, including realized gains and losses, generally are deferred until the associated merchandise is delivered or the services are performed.

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

Our returns on these investments are affected by financial market conditions that are beyond our control. If the investments in our trust funds experience significant declines, there could be insufficient funds in the trusts to cover the costs of delivering services and merchandise. Pursuant to state law, we may be required to cover any such shortfall in merchandise trusts with cash flows from operations, which could have a material adverse effect on our financial condition, results of operations or cash flows. For more information related to our trust investments, see Note 7 and Note 8 to our consolidated financial statements in Part II, Item 8. Financial Statements and Supplementary Data.

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

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

In certain states, we have withdrawn allowable distributable earnings from our merchandise trusts, including gains prior to the maturity or cancellation of the related contract. Additionally, some states have laws that either require replenishment of investment losses under certain circumstances or impose various restrictions on withdrawals of future earnings when trust fund values drop below certain prescribed amounts. In the event of realized losses or market declines, we may be required to deposit portions or all of these amounts into the respective trusts in some future period. As of December 31, 2018, we had unrealized losses of approximately \$7.1 million in the various trusts within these states, of which \$4.2 million were in merchandise trust accounts and \$2.9 million were in perpetual care trust accounts.

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

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

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

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

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

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

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

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The cemetery and funeral home industry continues to be competitive.

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

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

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

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

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

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

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

A primary component of our business strategy has been to grow through acquisitions of cemeteries and funeral homes. We cannot assure you that we will be able to identify and acquire cemeteries or funeral homes on terms favorable to us or at all. We may face competition from other death care companies in making acquisitions. Historically, we have funded a significant portion of our acquisitions through borrowings. As amended, our revolving credit facility prohibits us from making future acquisitions funded by the Partnership or its subsidiaries, except for acquisitions for which the consideration is solely in the form of equity interests in the Partnership or cash proceeds from the issuance of such equity interests. Our ability to make acquisitions in the future may be limited by our inability to secure

adequate financing, restrictions under our existing or future debt agreements, competition from third parties or a lack of suitable properties.

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

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

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

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

We and other death care companies that focus on traditional methods of interment face competition from the increasing number of cremations in the United States. Industry studies indicate that the percentage of cremations has steadily increased and that cremations are performed for approximately 52% of the deaths in the United States. This percentage is expected to increase to approximately 58% by 2022. Because the products and services associated with cremations, such as niches and urns, produce lower revenues than the products and services associated with traditional interments, a continuing trend toward cremation may reduce our revenues.

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

Declines in the number of deaths could cause at-need sales of cemetery and funeral home merchandise and services to decline and could cause a decline in the number of pre-need sales, both of which could decrease revenues. Changes in the number of deaths can vary among local markets and from quarter to quarter, and variations in the number of deaths in our markets or from quarter to quarter are not predictable. Generally, the number of deaths may fluctuate depending on weather conditions and illness.

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

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

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

The financial condition of third-party insurance companies that fund our pre-need funeral contracts and the amount of benefits those policies ultimately pay may impact our financial condition, results of operations or cash flows.

Where permitted, customers may arrange their pre-need funeral contract by purchasing a life insurance or annuity policy from third-party insurance companies. The customer/policy holder assigns the policy benefits to our funeral

home to pay for the pre-need funeral contract at the time of need. For the sales of pre-need funeral contracts funded through life insurance policies, we receive commissions from third-party insurance companies. Additionally, there is a death benefit associated with the contract that may vary over the contract life. There is no guarantee that the value of the death benefit will increase or cover future increases in the cost of providing a funeral service. If the financial condition of the third-party insurance companies were to deteriorate materially because of market conditions or otherwise, there could be an adverse effect on our ability to collect all or part of the proceeds of the life insurance or annuity policy, including any increase in the death benefit. Failure to collect such proceeds could have a material adverse effect on our financial condition, results of operations or cash flows.

Partnership liquidity may be impacted by its ability to negotiate bonding arrangements with third-party insurance companies.

Where permitted, the Partnership may enter into bonding arrangements with insurance companies whereby pre-need performance obligations otherwise required to be trusted, may be insured through a process called bonding. In the event that the Partnership is unable to deliver on bonded pre-need contract sales at the time of need, the insurance company will provide cash sufficient to deliver goods for the respective pre-need sale item. On an ongoing basis, the Partnership must negotiate acceptable terms of these various bonding arrangements, and the insurance company may require us to provide cash collateral from time to time under certain circumstances. To the extent that the Partnership is unable to negotiate acceptable terms for such arrangements and thus is no longer able to maintain existing bonds, it would need to deposit the corresponding amounts in the merchandise trusts. In addition, the insurance companies may increasingly require the Partnership to provide cash collateral for such surety bonds in light of its financial condition. The Partnership we may be required to provide additional cash collateral from time to time under certain circumstances. Any of these actions would have an adverse impact on the Partnership's liquidity.

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REGULATORY AND LEGAL RISKS

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

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

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

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

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

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

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

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

Our cemetery and funeral home operations are subject to numerous federal, state and local environmental and health and safety laws and regulations. We may become subject to liability for the removal of hazardous substances and solid

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

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

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

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

From time to time, we are party to various claims and legal proceedings, including, but not limited to, claims and proceedings regarding employment, cemetery or burial practices and other litigation. As set forth more fully in Part I, Item 3. Legal Proceedings, we are currently subject to class actions under the Securities Exchange Act of 1934 and the rules promulgated thereunder, and for related state law claims that certain of our officers and directors breached their fiduciary duty to the Company. We could also become subject to additional claims and legal proceedings relating to the factual allegations made in these actions. We are also subject to class or collective actions under the wage and hours provisions of the Fair Labor Standards Act and state wage and hour laws, including, but not limited to, national and state class or collective actions, or putative class or collective actions.

Generally, plaintiffs in class action litigation may seek to recover amounts which may be indeterminable for some period of time, although potentially large. Adverse outcomes in these pending cases (as well as other legal proceedings not specifically mentioned herein) may result in monetary damages or injunctive relief against us, as litigation and other claims are subject to inherent uncertainties. For each of our outstanding legal matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies and the likelihood of an unfavorable outcome. We base our assessments, estimates and disclosures on the information available to us at the time. Actual outcomes or losses may differ materially from assessments and estimates. Costs to defend litigation claims and legal proceedings and the cost of actual settlements, judgments or resolutions of these claims and legal proceedings may negatively affect our business and financial performance. We hold insurance policies that may reduce cash outflows with respect to an adverse outcome of certain litigation matters, but exclude certain claims, such as claims arising under the Fair Labor Standards Act. To the extent that our management will be required to participate in or otherwise devote substantial amounts of time to the defense of these matters, such activities would result in the diversion of our management resources from our business operations and the implementation of our business strategy, which may negatively impact our financial position and results of operations. Any adverse publicity resulting from allegations made in litigation claims or legal proceedings may also adversely affect our reputation, which in turn, could adversely affect our results of operations.

RISK FACTORS RELATED TO AN INVESTMENT IN THE PARTNERSHIP

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

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

- The Board of Directors of our general partner is elected by GP Holdings. Although our general partner has a fiduciary duty to manage us in good faith, the directors of our general partner also have a fiduciary duty to manage our general partner in a manner beneficial to GP Holdings, as the sole member of our general partner. By purchasing common units, unitholders will be deemed to have consented to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable law.
- Our partnership agreement limits the liability of our general partner, reduces its fiduciary duties and restricts the remedies available to unitholders for actions that might, without the limitations, constitute breaches of fiduciary duty.

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

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

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

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

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

Unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders did not select our general partner or elect the Board of Directors of our general partner and will have no right to select our general partner or elect its Board of Directors in the future. We are not required to have a majority of independent directors on our board. The Board of Directors of our general partner, including the

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independent directors, is not chosen by our unitholders. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

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

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

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

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in the partnership agreement on the ability of the owners of our general partner to transfer their ownership interest in the general partner to a third party. The new owner of our general partner would then be in a position to replace the Board of Directors and officers of the general partner with its own choices and thereby influence the decisions taken by the Board of Directors and officers. Such a change of control could require us to offer to repurchase notes at a premium issued under our indenture, significantly impacting available cash for distribution to our common unit holders.

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

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

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

- your proportionate ownership interest in us would decrease;
- the amount of cash available for distribution on each unit may decrease;
- the relative voting strength of each previously outstanding unit may be diminished;
- the market price of the common units may decline; and
- the ratio of taxable income to distributions may increase.

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

Prior to making any distribution on the common units, we reimburse our general partner and its affiliates for all expenses they incur on our behalf. The reimbursement of expenses could adversely affect our ability to pay cash distributions to you. Our general partner determines the amount of these expenses. In addition, our general partner and its affiliates may provide us with other services for which we will be charged fees as determined by our general partner.

Establishing cash reserves reduces the amount of available cash for distribution to you.

Subject to the limitations on restricted payments contained in the indenture governing the 7.875% Senior Notes due 2021 and other indebtedness, the master partnership distributes all of our "available cash" each quarter to its limited partners and general partner. "Available cash" is defined in the master limited partnership's partnership agreement, and it generally means, for each fiscal quarter, all cash and cash equivalents on hand on the date of determination for that quarter less the amount of cash reserves established at the discretion of the general partner to:

- provide for the proper conduct of our business;
- comply with applicable law, the terms of any of our debt instruments or other agreements; or
- provide funds for distributions to its unitholders and general partner for any one or more of the next four calendar quarters.

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Our general partner reserved available cash starting the second quarter of 2017 to preserve capital resources and liquidity. We anticipate continuing to reserve available cash for such purposes which, when combined with the restrictions on distributions under our revolving credit facility, will continue to affect the amount of cash available for distribution to you.

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

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

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

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

Declines in overall economic conditions beyond our control could reduce future potential earnings and cash flows and could result in future impairments to goodwill and/or other intangible assets.

In addition to an annual review, we assess the impairment of goodwill and/or other intangible assets whenever events or changes in circumstances indicate that the carrying value may be greater than fair value. Factors that could trigger an interim impairment review include, but are not limited to, a significant decline in our stock price, significant underperformance relative to historical or projected future operating results, and significant negative industry or economic trends. If these factors occur, we may have a triggering event, which could result in an impairment of our goodwill and/or other intangible assets. If economic conditions worsen causing deterioration in our operating revenue, operating margins, and cash flows, we may have a triggering event that could result in an impairment of our goodwill and/or other intangible assets. Our cemetery segment, which had a goodwill balance of \$24.9 million as of December 31, 2018, is more sensitive to market conditions and goodwill impairments because it is more reliant on preneed sales, which are impacted by customer discretionary spending.

Failure to maintain effective internal control over financial reporting could adversely affect our results of operations, investor confidence, and our stock price.

The accuracy of our financial reporting depends on the effectiveness of our internal control over financial reporting. Internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements because of its inherent limitations. If we do not maintain effective internal control over financial reporting or implement controls sufficient to provide reasonable assurance with respect to the preparation and fair presentation of our financial statements, we could be unable to file accurate financial reports on a timely basis, and our results of operations, investor confidence, and stock price could be materially adversely affected.

Our inability to timely file the periodic reports we are required to file under the Exchange Act may adversely affect our liquidity, the market for our common units and our business reputation.

We filed our Annual Report on Form 10-K for the year ended December 31, 2017, approximately four months after it was due. We filed our Quarterly Reports on Form 10-Q for the Quarters Ended March 31, 2018, June 30, 2018 and September 30, 2018 approximately nine, six and three months, respectively, after they were due.

As a result of our inability to timely file our periodic reports under the Exchange Act, we will not be eligible to use Form S-3 registration statements until we have timely filed such periodic reports with the SEC for a period of twelve months.

The cumulative effect of these delayed filings may also affect the market for our common units if investors are unwilling to purchase our common units due to these filing deficiencies. The unavailability of Form S-3 registration statements may also

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impact our ability to raise capital in the public markets. In addition, our inability to timely file our periodic reports and the conclusion that our internal control over financial reporting is ineffective (as discussed in Part II, Item 9A. Controls and Procedures of this Annual Report on Form 10-K) may adversely affect our reputation among investors, securities analysts, customers, regulators, prospective employees and others with whom we interact on a regular basis.

The application of unclaimed property laws by certain states to our preneed funeral and cemetery backlog could have a material adverse impact on our liquidity, cash flows, and our financial results.

In the ordinary course, our businesses have sold preneed funeral and cemetery contracts for decades. To the extent these contracts will not be funded with the assignment of the proceeds of life insurance policies, depending on applicable state laws, we could be responsible for escheatment of the portion of the funds paid that relate to contracts which we are unlikely to fulfill. The application of unclaimed property laws could have a material adverse effect on our liquidity, cash flows, and financial results.

We have identified material weaknesses in our internal control over financial reporting and determined that our disclosure controls and procedures were not effective which could, if not remediated, result in additional material misstatements in our financial statements and may adversely affect our liquidity, the market for our common units and our business.

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over our financial reporting, as defined in Rules 13a-15(e) and 13a-15(f), respectively, under the Securities Exchange Act of 1934. As disclosed in Part II, Item 9A. Controls and Procedures of this Annual Report on Form 10-K, management identified material weaknesses in our internal control over financial reporting and concluded our disclosure controls and procedures were not effective as of December 31, 2018. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Our independent registered public accounting firm also expressed an adverse opinion on the effectiveness of our internal control over financial reporting.

We have commenced our remediation efforts as discussed in Part II, Item 9A. Controls and Procedures of this Annual Report on Form 10-K to address the material weaknesses in internal control over financial reporting and ineffective disclosure controls and procedures, which may include replacing and or enhancing our accounting systems in order to better perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act. If accounting systems are not successfully implemented or we encounter other difficulties we might incur significant unexpected expenses in order to perform the Section 404 evaluation and our ability to file timely with the SEC may be adversely impacted. In addition, if our remedial measures are insufficient, or if additional material weaknesses or significant deficiencies in our internal controls occur in the future, we could be required to further restate our financial results, which could materially and adversely affect our business, results of operations and financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the weaknesses or deficiencies, harm our reputation or otherwise cause a decline in investor confidence.

We have experienced significant changes in our senior management, which may have adversely affected our operations.

In March 2018, the resignation of Paul Grady as our President and Chief Executive Officer became effective, and he was succeeded by Leo J. Pound, who served as Acting Chief Executive Officer from March 2018 until July 2018. Joseph M. Redling began service as our President and Chief Executive Officer on July 18, 2018. We also have had several other changes in our senior management since January 1, 2018. These changes have led to diversion of time by both our management and our Board of Directors in focusing on recruiting and hiring suitable replacements and assisting in the transition of our new executives, which may have adversely affected our operations and may continue to do so until our new executives have completed their transitions into their new positions.

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TAX RISKS TO COMMON UNITHOLDERS

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

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

Despite the fact that we are organized as a limited partnership under Delaware law, because our common units are publicly traded, we would be treated as a corporation for U.S. federal income tax purposes unless we satisfy a "qualifying income" requirement as set forth in Section 7704 of the Internal Revenue Code ("Code"). Based upon our current operations, we believe we satisfy the qualifying income requirement. However, no ruling has been or will be requested regarding our treatment as a partnership for U.S. federal income tax purposes. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated and taxed as a corporation for U.S. federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which was reduced to 21% as part of the 2017 Act. Distributions to our unitholders would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to our unitholders. Because a tax would be imposed upon us as a corporation, our cash available for distribution to our unitholders would be substantially reduced. Our net operating loss position would mitigate this cost. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units. Moreover, treatment of us as a corporation could have a material adverse effect on our ability to make payments on our debt obligations.

Additionally, several states have been evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. We currently own assets and conduct business in the majority of states and Puerto Rico, many of which impose a margin or franchise tax. In the future, we may expand our operations. Imposition of a similar tax on us in other jurisdictions to which we may expand could substantially reduce our cash available for distribution to our unitholders and payments on our debt obligations. Our partnership agreement provides that if a law is enacted, modified or interpreted in a manner that subject us to taxation as a corporation or otherwise subjects us to entity-level taxation for U.S. federal, state, local, or foreign income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law or interpretation on us.

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

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial changes or differing interpretations at any time. From time to time, members of Congress propose and consider substantive changes to the existing U.S. federal income tax laws that affect publicly traded partnerships. Although there is no current legislative proposal, a prior legislative proposal would have eliminated the qualifying income exception to the treatment of all publicly traded

partnerships as corporations, upon which we rely for our treatment as a partnership for U.S. federal income tax purposes.

In addition, on January 24, 2017, final regulations regarding which activities give rise to qualifying income within the meaning of Section 7704 of the Code (the "Final Regulations") were published in the Federal Register. The Final Regulations are effective as of January 19, 2017, and apply to taxable years beginning on or after January 19, 2017. We do not believe the Final Regulations affect our ability to be treated as a partnership for U.S. federal income tax purposes.

However, any modification to the U.S. federal income tax laws or to the regulations under Section 7704 of the Code may be applied retroactively and could make it more difficult or impossible for us to meet the exception for certain publicly traded partnerships to be treated as partnerships for U.S. federal income tax purposes. We are unable to predict whether any of these changes or other proposals will be enacted. Any similar or future legislation could negatively impact the value of an investment in our common units.

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

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

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

Our business was conducted by an affiliated group of corporations during periods prior to the completion of our initial public offering and, since the initial public offering, continues to be conducted in part by corporate subsidiaries. The amount of cash dividends we receive from our corporate subsidiaries over the next several years will depend in part upon the amount of net operating losses available to those subsidiaries to reduce the amount of income subject to federal income tax they would otherwise pay. At December 31, 2018, the Partnership had available approximately \$396.6 million and \$500.7 million of federal and state net operating loss carryforwards, respectively, a portion of which expires annually. Net operating losses of \$1.0 million expired in 2017 and net operating losses of \$5.9 million will expire in 2018 if left unused. The amount of net operating losses available to reduce the income tax liability of our corporate subsidiaries in future taxable years could be reduced as a result of audit adjustments with respect to prior taxable years. Notwithstanding any limited indemnification rights we may have, any increase in the tax liabilities of our corporate subsidiaries because of a reduction in net operating losses will reduce our cash available for distribution.

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

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

If the IRS were to contest the federal income tax positions we take, the market for our common units could be adversely impacted, and the cost of any such contest would reduce our cash available for distribution to our unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court

may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, the cost of any contest between us and the IRS will result in a reduction in cash available for distribution to our unitholders and thus will be borne indirectly by our unitholders.

There are limitations on the ability of a unitholder to utilize losses, and the IRS may not agree with the manner in which we allocate income, gain and loss among the unitholders.

There are a series of tax provisions that will, for some taxpayers, either prevent or defer the deduction of any net tax losses allocated to unitholders against other income; each unitholder should consult with its own tax advisor as to the applicability of these loss limitations. Further, under Section 704(b) of the Code, which governs allocations of a partnership, an allocation of income, gain, loss or deduction to a unitholder will not be given effect for federal income tax purposes unless it has "substantial economic effect" or is in accordance with the unitholder's interest, taking into account all facts and circumstances. These allocation rules are extremely complex. If an allocation of income, gain, loss, deduction or credit is not given effect for federal income tax purposes by the Internal Revenue Service, such items may be reallocated among the unitholders. Such reallocations among the Partners could result in greater taxable income or losses being allocated to the unitholders with no change in cash flow.

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If the IRS makes audit adjustments to our income tax returns for tax years beginning after December 31, 2017, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us, in which case our cash available for distribution to our unitholders might be substantially reduced.

Pursuant to the Bipartisan Budget Act of 2015, for tax years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us. To the extent possible under the new rules, our general partner may elect to either pay the taxes (including any applicable penalties and interest) directly to the IRS or, if we are eligible, issue a revised Schedule K-1 to each unitholder with respect to an unaudited and adjusted return. Although our general partner may elect to have our unitholders take such audit adjustment into account in accordance with their interests in us during the tax year under audit, there can be no assurance the election will be practical, permissible or effective in all circumstances. As a result, our current unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such unitholders did not own units in us during the tax year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest, our cash available for distribution to our unitholders could be substantially reduced. These rules are not applicable for tax years beginning on or prior to December 31, 2017.

Even if unitholders do not receive any cash distributions from us, unitholders will be required to pay taxes on their share of taxable income including their share of income from the cancellation of debt.

Unitholders are required to pay federal income taxes and, in some cases, state and local income taxes on unitholders' share of our taxable income, whether or not they receive cash distributions from us. Unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax due from them with respect to that income.

In response to current market conditions, we may engage in transactions to delever the Partnership and manage our liquidity that may result in income and gain to our unitholders without a corresponding cash distribution. For example, if we sell assets and use the proceeds to repay existing debt or fund capital expenditures, you may be allocated taxable income and gain resulting from the sale without receiving a cash distribution. Further, taking advantage of opportunities to reduce our existing debt, such as debt exchanges, debt repurchases or modifications of our existing debt, could result in "cancellation of indebtedness income" (also referred to as ("COD income")) being allocated to our unitholders as taxable income. Unitholders may be allocated COD income, and income tax liabilities arising therefrom may exceed cash distributions. The ultimate effect of any such allocations will depend on each unitholder's individual tax position with respect to its units. Unitholders are encouraged to consult their tax advisors with respect to the consequences to them of COD income.

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

If a unitholder sells common units, the unitholder will recognize gain or loss equal to the difference between the amount realized and that unitholder's tax basis in those common units. Because distributions in excess of unitholders' allocable share of our net taxable income decrease their tax basis in their common units, the amount, if any, of such prior excess distributions with respect to the units unitholders sell will, in effect, become taxable income to our unitholders if they sell such units at a price greater than their adjusted tax basis in those units, even if the price they receive is less than their original cost. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if they sell their units, unitholders may incur a tax liability in excess of the amount of cash they receive from the sale.

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

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

Investments in common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (or "IRAs"), and non-U.S. persons raise issues unique to them. For example, virtually all of our income allocated to unitholders that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons are subject to withholding taxes imposed at the highest effective tax rate applicable to such non-U.S. persons, and each non-U.S. person will be required to file U.S. federal tax returns and pay tax on its share of our taxable income. Any tax-exempt entity or non-U.S. person should consult its tax advisor before investing in our common units.

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

Because we cannot match transferors and transferees of common units, we have adopted depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain from any sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to a unitholder's tax returns.

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

We generally prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month (the "Allocation Date"), instead of on the basis of the date a particular unit is transferred. Similarly, we generally allocated certain deductions for depreciation of capital additions, gain or loss realized on a sale or other disposition of our assets and, in the discretion of the general partner, any other extraordinary item of income, gain, loss or deduction based upon ownership on the Allocation Date. Treasury Regulations allow a similar monthly simplifying convention, but the regulations do not specifically authorize all aspects of our proration method. If the IRS were to challenge our proration method, we could be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

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

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

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

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

valuation methods and the resulting allocations of income, gain, loss and deduction.

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

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

We will be considered to have terminated as a partnership for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once. Our termination would, among other things, result in the closing of our taxable year for all unitholders which would result in us filing two tax returns for one calendar year and could result in a significant deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a calendar year, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in taxable income for the unitholder's taxable year that includes our termination. Our termination would not affect our classification as a partnership for federal income tax purposes, but it would result in us being treated as a new partnership for tax purposes. If we were treated as a new partnership, we would be required to

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make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. The IRS has announced a relief procedure whereby if a publicly traded partnership that has technically terminated requests and the IRS grants special relief, among other things, the partnership may be permitted to provide only a single Schedule K-1 to unitholders for the two short tax periods included in the year in which the termination occurs. This provision was eliminated starting in 2018 as a result of the new tax reform legislation.

Our unitholders will likely be subject to state and local taxes and income tax return filing requirements in jurisdictions where they do not live as a result of investing in our common units.

In addition to U.S. federal income taxes, our unitholders will likely be subject to other taxes, including foreign, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property, even if our unitholders do not live in any of those jurisdictions. Our unitholders will likely be required to file foreign, state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements.

Currently, we own assets or conduct business in the majority of states and in Puerto Rico. Most of these various jurisdictions currently impose, or may in the future impose, an income tax on individuals, corporations and other entities. As we make acquisitions or expand our business, we may own assets or do business in additional states that impose a personal income tax. It is your responsibility to file all United States federal, state and local tax returns.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Table of ContentsITEM 2. PROPERTIES
CEMETERIES AND FUNERAL HOMES

The following table summarizes the distribution of our cemetery and funeral home properties by state as of December 31, 2018 as well as the average estimated remaining sales life in years for our cemeteries based upon the number of interment spaces sold during the most recent three years:

| | | | | Average | Number |
|----------------|------------|---------|-----------|---------------|--------------|
| | | | | Estimated Net | of Interment |
| | | Funeral | Cemetery | Sales Life | Spaces Sold |
| | Cemeteries | Homes | Net Acres | in Years | in 2018 |
| Alabama | 9 | 6 | 305 | 188 | 744 |
| California | 7 | 7 | 271 | 69 | 1,177 |
| Colorado | 2 | — | 12 | 437 | 52 |
| Delaware | 1 | — | 12 | 169 | 16 |
| Florida | 9 | 27 | 278 | 90 | 890 |
| Georgia | 7 | — | 135 | 149 | 375 |
| Illinois | 11 | 2 | 438 | 56 | 4,320 |
| Indiana | 11 | 5 | 1,013 | 213 | 1,222 |
| Iowa | 1 | — | 89 | 392 | 117 |
| Kansas | 3 | 2 | 84 | 175 | 315 |
| Kentucky | 2 | — | 59 | 95 | 108 |
| Maryland | 10 | 1 | 716 | 171 | 665 |
| Michigan | 13 | — | 818 | 272 | 1,268 |
| Mississippi | 2 | 1 | 44 | 415 | 32 |
| Missouri | 6 | 3 | 277 | 289 | 507 |
| New Jersey | 6 | — | 341 | 55 | 817 |
| North Carolina | 19 | 2 | 619 | 165 | 1,452 |
| Ohio | 14 | 2 | 953 | 238 | 1,532 |
| Oregon | 7 | 10 | 162 | 245 | 429 |
| Pennsylvania | 68 | 8 | 5,319 | 355 | 6,049 |
| Puerto Rico | 7 | 4 | 209 | 115 | 472 |
| Rhode Island | 2 | — | 70 | 201 | 26 |
| South Carolina | 8 | 1 | 395 | 287 | 300 |
| Tennessee | 11 | 5 | 657 | 178 | 1,055 |
| Virginia | 34 | 2 | 1,183 | 217 | 2,001 |
| Washington | 3 | — | 33 | 58 | 178 |
| West Virginia | 33 | 2 | 1,404 | 487 | 745 |
| Wisconsin | 16 | — | 533 | 201 | 1,675 |
| Total | 322 | 90 | 16,429 | 223 | 28,539 |

We calculated estimated remaining sales life for each of our cemeteries by dividing the number of unsold interment spaces as of December 31, 2018 by the average number of interment spaces sold at that cemetery in the three most

recent fiscal years. For purposes of estimating remaining sales life, we defined unsold interment spaces as unsold burial lots and unsold spaces in existing mausoleum crypts as of December 31, 2018. We defined interment spaces sold in the three most recent fiscal years as:

• the number of burial lots sold, net of cancellations, over such period;

- the number of spaces sold over such period in existing mausoleum crypts, net of cancellations; and

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

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

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by-state or company-wide basis. Based on the average number of interment spaces sold in the last three fiscal years, we estimate that our cemeteries have an aggregate average remaining sales life of 223 years.

The following table shows the cemetery properties that we owned or operated as of December 31, 2018, grouped by estimated remaining sales life:

| | 0 - 25 | 26 - 49 | 50 - 100 | 101 - 150 | 151 - 200 | Over 200 |
|----------------|-----------|------------|-------------|--------------|--------------|-------------|
| | years | years | years | years | years | years |
| Alabama | — | — | 2 | 3 | 1 | 3 |
| California | 2 | 1 | 3 | — | — | 1 |
| Colorado | — | — | 1 | — | — | 1 |
| Delaware | — | — | — | — | 1 | — |
| Florida | 1 | 1 | 5 | - | 1 | 1 |
| Georgia | 1 | — | 2 | 1 | 1 | 2 |
| Illinois | 2 | 2 | 2 | 1 | 1 | 3 |
| Indiana | — | — | 1 | 3 | 2 | 5 |
| Iowa | — | — | — | — | — | 1 |
| Kansas | — | — | 2 | — | — | 1 |
| Kentucky | 1 | — | — | — | 1 | — |
| Maryland | 2 | — | — | 3 | 1 | 4 |
| Michigan | — | — | 2 | 3 | 4 | 4 |
| Mississippi | — | — | — | — | — | 2 |
| Missouri | — | — | — | 3 | — | 3 |
| New Jersey | 2 | 1 | 2 | 1 | — | — |
| North Carolina | — | 3 | 1 | 2 | 1 | 12 |
| Ohio | — | — | 2 | 3 | 1 | 8 |
| Oregon | — | — | 1 | 1 | - | 5 |
| Pennsylvania | 9 | 3 | 4 | 5 | 3 | 44 |
| Puerto Rico | — | — | 2 | 1 | 2 | 2 |
| Rhode Island | — | — | 1 | — | — | 1 |
| South Carolina | — | — | 2 | 1 | — | 5 |
| Tennessee | — | — | 2 | 2 | — | 7 |
| Virginia | 3 | 1 | 2 | 6 | 1 | 21 |
| Washington | — | — | 2 | — | 1 | — |
| West Virginia | 5 | — | 3 | 3 | 2 | 20 |
| Wisconsin | 1 | — | 2 | 1 | 2 | 10 |
| Total | 29 | 12 | 46 | 43 | 26 | 166 |

We believe that we have either satisfactory title to or valid rights to use all of our cemetery properties. The 31 cemetery properties that we manage or operate under long-term lease, operating or management agreements have nonprofit owners. We believe that these cemeteries have either satisfactory title to or valid rights to use these cemetery properties and that we have valid rights to use these properties under the long-term agreements. Although title to the

cemetery properties is subject to encumbrances such as liens for taxes, encumbrances securing payment obligations, easements, restrictions and immaterial encumbrances, we do not believe that any of these burdens should materially detract from the value of these properties or from our interest in these properties, nor should these burdens materially interfere with the use of our cemetery properties in the operation of our business as described above. Many of our cemetery properties are located in zoned regions, and we believe that cemetery use is permitted for those cemeteries: (1) as expressly permitted under applicable zoning ordinances; (2) through a special exception to applicable zoning designations; or (3) as an existing non-conforming use.

OTHER

Our home office is located in a 57,000 square foot leased space in Trevoise, Pennsylvania, with a lease that expires in 2028, with certain contractual renewal options. We are also tenants under various leases covering office spaces other than our corporate headquarters.

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ITEM 3. LEGAL PROCEEDINGS

For information regarding our significant pending administrative and judicial proceedings involving regulatory, operating, transactional, environmental, and other matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 13, Contingencies and Commitments.

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER
MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES
MARKET INFORMATION

Our common units are listed on the New York Stock Exchange ("NYSE") under the symbol "STON". As of March 15, 2019, there were approximately eighteen thousand beneficial unitholders, forty-three unitholders of record and 38,223,861 common units outstanding, representing an approximately 99% limited partner interest in us.

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ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we have elected not to provide the disclosure under this item.

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

The discussion and analysis presented below provides information to assist in understanding our financial condition and results of operations and should be read in conjunction with the Partnership's consolidated financial statements included in Part II, Item 8. Financial Statements and Supplementary Data.

Certain statements contained in this Annual Report on Form 10-K, 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 Annual Report on Form 10-K, 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 Annual Report on Form 10-K. We believe the assumptions underlying the consolidated financial statements are reasonable.

Our major risks are related to our substantial secured and unsecured indebtedness, our ability to refinance our secured indebtedness in the near term, uncertainties associated with the cash flow from pre-need and at-need sales, trusts and financings, which may impact our ability to meet our financial projections and service our debt, as well as with our 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; uncertainty of our ability to generate sufficient cash to service all of our indebtedness; 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 religious beliefs, 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; our ability to negotiate bonding arrangements with third-party insurance companies; 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 Part I, Item 1A. Risk Factors of this Annual Report on Form 10-K. Readers are cautioned not to place undue reliance on forward-looking statements included in this Annual Report on Form 10-K, which speak only as of the date the statements were made. 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 December 31, 2018, we operated 322 cemeteries in

27 states and Puerto Rico, of which 291 were owned and 31 were operated under lease, management or operating agreements. We also owned, operated or managed 90 funeral homes in 17 states and Puerto Rico. We are proposing to convert to a "C" Corporation, which if, approved, will be effective during 2019. See Part 1, Item 1. Financial Statements, Note 1 General, to the consolidated financial statements for further information related to the Merger and Reorganization Agreement.

Our revenue is derived from Cemetery Operations and Funeral Home Operations. Our Cemetery Operation segment principally generates revenue from sales of interment rights, cemetery merchandise, which includes markers, bases, vaults, caskets, cremation niches and services including opening and closing ("O&C"), cremation services and fees for the installation of cemetery merchandise. Our Funeral Home Operations segment principally generates revenue from sales of funeral home merchandise, which includes caskets and other funeral related items and service revenues, including services such as family consultation, the removal of and preparation of remains and the use of funeral home facilities for visitation and prayer 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. Our funeral home operations also include revenues related to the sale of term and whole life insurance on an agency basis, in which we earn a commission from the sales of these policies.

The pre-need sales enhance our financial position by providing a backlog of future revenue from both trust and insurance-funded pre-need funeral and cemetery sales. We believe pre-need sales add to the stability and predictability of our revenues and

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cash flows. Pre-need sales are typically sold on an installment plan. While revenue on the majority of pre-need funeral sales is deferred until the time of need, sales of pre-need cemetery property interment rights provide opportunities for full current revenue recognition when the property is available for use by the customer.

We also earn investment income on certain payments received from the customer on pre-need contracts, which are required by law to be deposited into the merchandise and service trusts. Amounts are withdrawn from the merchandise and service trusts when the Partnership fulfills the performance obligations. Earnings on these trust funds, which are specifically identifiable for each performance obligation, are also included in the total transaction price. 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. Pre-need contracts are subject to financing arrangements on an installment basis, with a contractual term not to exceed 60 months. Interest income is recognized utilizing the effective interest method. For those contracts that do not bear a market rate of interest, the Partnership imputes such interest based upon the prime rate at the time of origination plus 150 basis points in order to segregate the principal and interest components of the total contract value.

Our revenue depends upon the demand for funeral and cemetery services and merchandise, which can be influenced by a variety of factors, some of which are beyond our control including: demographic trends including population growth, average age, death rates and number of deaths. Our operating results and cash flows could also be influenced by our ability to remain relevant to the customer. We provide a variety of unique product and service offerings to meet the needs of our customer's families. The mix of services could influence operating results, as it influences the average revenue per contract. Expense management including controlling salaries, merchandise costs, corporate overhead and other expense categories could also impact operating results and cash flows. Lastly, economic conditions, legislative and regulatory changes, and tax law changes, all of which are beyond our control could impact our operating results including cash flow.

For further discussion of our key operating metrics, see our Results of Operations and Liquidity and Capital Resources sections below.

RECENT EVENTS

The following key events and transactions occurred during 2018 and through the date of issuance of the attached financial statements as discussed in further detail in Results of Operations sections of Management's Discussion and Analysis:

- Joseph M. Redling became our President and Chief Executive Officer on July 18, 2018.
- Patricia D. Wellenbach and Stephen J. Negrotti were appointed to the Board of Directors in April 2018, following the expiration of the terms of Allen Freedman and Howard Carver as members of the Board of Directors.

- On September 27, 2018, the Partnership entered into a Merger and Reorganization Agreement, pursuant to which, the GP will convert from a Delaware Limited Liability Company into a Delaware Corporation
- During 2018, the Board of Directors of our general partner appointed Stephen J. Negrotti and Patricia D. Wellenbach to serve on the Conflicts Committee for purposes of evaluating the propose conversion transaction and the agreements related thereto. The Conflicts Committee, which is authorized to exercise all of the power and authority of the Board of Directors in connection with investigating, reviewing and acting on matters referred or disclosed to it where a conflict of interest exists or arises and performing such other functions as the board may assign to the Conflicts Committee from time to time.
- During the fourth quarter 2018, the Partnership approved certain strategic, operational and organizational steps for the Partnership to take to refocus its operations and enhance shareholder value. These actions were the result of a comprehensive assessment of the Partnership's strengths and challenges, our cost structure and execution capabilities, and our most promising opportunities to drive future cash flow and earnings growth. The cost reduction initiatives include a reduction in headcount of approximately 45 corporate positions of our workforce, a streamlining of general and administrative expenses, optimizing spend and refocusing field operations.
- On February 4, 2019, we amended and restated our existing Credit Agreement, which had been previously amended in June and July 2018, to modify its covenants to provide us with greater financial and operating flexibility.

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On February 4, 2019, as part of the recent amendment to our credit facility, we have added a “last out” senior secured credit facility with Axar Capital Management, a related party, for up to \$35.0 million. The proceeds of the facility

will be used to finance the working capital needs and for other general corporate purposes to drive improvements in sales. We borrowed \$15.0 million under this facility on February 4, 2019, and any borrowings resulting in the outstanding balance of this last-out facility exceeding \$25.0 million were subject to receipt of a fairness opinion with respect to the last-out facility, which we have now obtained.

GENERAL TRENDS AND OUTLOOK

We expect our business to be affected by key trends in the death care industry, based upon assumptions made by us and information currently available. Death care industry factors affecting our financial position and results of operations include, but are not limited to, demographic trends in terms of population growth, average age and cremation 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 depends on our success at managing operations with respect to 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.

Due to enhanced inventory control procedures implemented in late 2018, we recorded inventory impairment charges related to damaged and excess inventory and to certain excess inventory allocated to pre-need customers that had been damaged due to weather related deterioration or had otherwise been deemed impractical for use by management. These impairments resulted in an increase of \$3.4 million to cost of goods sold and \$8.9 million charge included in other losses for the year ended December 31, 2018. During 2017, we analyzed our contract cancellations on a consolidated basis. Based on accounts receivable collection and contract cancellation analyses performed at the individual cemetery and funeral home level we had a change in estimate regarding our allowance for contract cancellations as of December 31, 2017, which resulted in an increase of \$6.5 million in total revenues for the year ended December 31, 2017.

We operate certain cemetery and funeral home properties in Florida and Puerto Rico, which were affected by hurricanes during September 2017. We incurred property damages of \$0.8 million for the year ended December 31, 2017 before considering any insurance recoveries which we may be entitled to receive. During 2018, we received insurance proceeds to offset most of the losses incurred.

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

RESULTS OF OPERATIONS

We have two distinct reportable segments, Cemetery Operations and Funeral Home Operations, which are supported by corporate costs and expenses. Additional information about our reportable segments are contained in Item. 1. Business and Item 8. Financial Statements and Supplementary Data - Note 18 Segment Information

Cemetery Operations

Overview

We are currently the second largest owner and operator of cemeteries in the United States of America. As of December 31, 2018 we operated 322 cemeteries in 27 states and Puerto Rico. We own 291 of these cemeteries and we manage or operate the remaining 31 under lease, operating or management agreements. Revenues from Cemetery Operations accounted for approximately 83% of our total revenues during the year ended December 31, 2018.

Operating Results

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

| | Years Ended December 31, | |
|-------------|-----------------------------|----------------|
| | 2018 | 2017 |
| | As reported | As reported |
| | under FASB | under FASB |
| | ASC 606 | ASC 605 |
| Interments | \$76,902 | \$75,077 |
| Merchandise | 75,412 | 75,602 |
| Services | 67,278 | 70,704 |

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| | | |
|------------------------------------|-----------|-----------|
| Interest income | 8,995 | 8,261 |
| Investment and other | 33,348 | 47,052 |
| Total revenues | 261,935 | 276,696 |
| Cost of goods sold | 54,647 | 51,899 |
| Cemetery expense | 78,708 | 76,857 |
| Selling expense | 62,538 | 66,083 |
| General and administrative expense | 43,081 | 39,111 |
| Depreciation and amortization | 8,037 | 8,909 |
| Total costs and expenses | 247,011 | 242,859 |
| Segment income | \$ 14,924 | \$ 33,837 |

The following table presents supplemental operating data for the periods presented (in thousands):

| SUPPLEMENTAL DATA: | Years Ended | |
|--|--------------|---------|
| | December 31, | |
| | 2018 | 2017 |
| Interments performed | 54,773 | 54,109 |
| Net interment rights sold ⁽¹⁾ | | |
| Lots | 27,044 | 28,235 |
| Mausoleum crypts (including pre-construction) | 1,334 | 1,926 |
| Niches | 1,685 | 1,857 |
| Total net interment rights sold ⁽¹⁾ | 30,063 | 32,018 |
| Number of pre-need cemetery contracts written | 39,989 | 44,894 |
| Number of at-need cemetery contracts written | 57,664 | 59,387 |
| Number of cemetery contracts written | 97,653 | 104,281 |

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

Cemetery interments revenues were \$76.9 million for the year ended December 31, 2018, an increase of \$1.8 million from \$75.1 million for the year ended December 31, 2017. The increase was primarily due to the adoption of ASC 606 of \$7.8 million. Partially offsetting this increase was a decrease due to increases in discounts and promotions of \$2.8 million, a decline in pre-need crypt revenues of \$1.9 million, a return to a normal level of cancellations of \$0.9 million as there was a reversal of the cancellation reserve in the prior year that did not recur in the current period and a net decrease in revenue from various other products totaling \$0.4 million.

Cemetery merchandise revenues were \$75.4 million for the year ended December 31, 2018, a decrease of \$0.2 million from \$75.6 million for the year ended December 31, 2017. The decrease was primarily due to a decline in pre-installation of vaults of \$4.9 million, a decline in contracts serviced that were acquired through acquisitions in prior years of \$4.3 million, an increase in discounts and promotions of \$3.7 million and a return to a normal level of cancellations of \$1.1 million as there was a reversal of the cancellation reserve in the prior year that did not recur in the current period. Partially offsetting these decreases were an increase in pre-need markers serviced of \$5.9 million, the adoption of ASC 606 of \$5.8 million, an increase in at-need marker sales of \$1.2 million and a net increase in revenue from various other products totaling \$0.9 million. The declines in contracts serviced that were acquired through acquisitions and pre-installation of vaults for the current period were primarily due to a return to a normal level of recognition of sales compared to the prior year. The recognition of sales in the prior year was higher than normal due to constructive delivery of a large back-log of pre-need merchandise that became available to be serviced

in that period.

Cemetery services revenues were \$67.3 million for the year ended December 31, 2018, a decrease of \$3.4 million from \$70.7 million for the year ended December 31, 2017. The decrease was primarily due to a decrease of \$4.3 million in pre-need opening and closing service revenues largely related to the decrease in pre-need vault installations, a decrease in at-need opening and closing revenues of \$2.2 million, the adoption of ASC 606 of \$1.4 million, and a return to a normal level of cancellations of \$0.7 million as there was a reversal of the cancellation reserve in the prior year that did not recur in the current period. Partially offsetting these decreases were an increase in revenue due to decreases in discounts and promotions of \$3.8 million and a net increase in revenues from various other products totaling \$1.4 million.

Interest income was \$9.0 million for the year ended December 31, 2018, an increase of \$0.7 million from \$8.3 million for the year ended December 31, 2017. The increase was due to an increase in payments and a corresponding acceleration of interest received.

Investment and other income was \$33.3 million for the year ended December 31, 2018, a decrease of \$13.7 million from \$47.1 million for the year ended December 31, 2017. The decrease was primarily due the adoption of ASC 606, which resulted in a reduction of document fees of \$11.4 million. Under ASC 606, document fees are no longer considered a separate performance

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obligation and the associated revenues are allocated pro rata to the other performance obligations on the associated contracts. This was combined with a decrease in document fees of \$1.3 million related to the decline in sales, a decrease in land sales of \$0.8 million, and a net decrease of \$0.2 million in various other sources of investment and other income.

Cost of goods sold was \$54.6 million for the years ended December 31, 2018, an increase of \$2.7 million from \$51.9 million for the year ended December 31, 2017. The increase was primarily the result of vault inventory adjustments and impairments, increases in the cost of merchandise associated with older contracts that were acquired through acquisitions and a return to a normal level of cancellations as there was a reversal of the cancellation reserve in the prior year that did not recur in the current period. The adoption of ASC 606 was a decrease of \$1.3 million.

Cemetery expenses were \$78.7 million for the year ended December 31, 2018, an increase of \$1.9 million from \$76.9 million for the year ended December 31, 2017. The increase was primarily due to increases in real estate taxes of \$1.8 million as a result of reassessment of certain properties under management, coupled with a \$0.1 million increase in landscaping.

Selling expenses were \$62.5 million for the year ended December 31, 2018, a decrease of \$3.5 million from \$66.1 million for the year ended December 31, 2017. The decrease was due to a reduction in compensation to sales personnel of \$2.2 million primarily resulting from the decline in sales, a reduction in advertising and marketing expenses of \$1.9 million, a reduction in travel and entertainment of \$0.6 million, and a net decrease in various other expenses totaling \$0.6 million. Partially offsetting these decreases was the adoption of ASC 606 of \$1.8 million.

General and administrative expenses were \$43.1 million for the year ended December 31, 2018, an increase of \$4.0 million from \$39.1 million for the year ended December 31, 2017. The increase was primarily due to increases in payroll of \$2.1 million associated with the implementation of a general manager operating model, legal fees of \$0.9 million, bad debt of \$0.4 million, and various other expenses of \$0.6 million, primarily surety bonds and insurance expense.

Depreciation and amortization expenses were \$8.0 million for the year ended December 31, 2018, a decrease of \$0.9 million from \$8.9 million for the year ended December 31, 2017. The decrease was due to normal depreciation and amortization of the associated asset base.

Funeral Home Operations

Overview

As of December 31, 2018, we owned, operated or managed 90 funeral homes. These properties are located in 17 states and Puerto Rico. Revenues from Funeral Home Operations accounted for approximately 17% of our total revenues during the year ended December 31, 2018.

Operating Results

The following table presents operating results for our Funeral Home Operations for the respective reporting periods (in thousands):

| | Years Ended December 31, | |
|-------------------------------|-----------------------------|----------------|
| | 2018 | 2017 |
| | As reported | As reported |
| | under FASB | under FASB |
| | ASC 606 | ASC 605 |
| Merchandise | \$25,652 | \$27,767 |
| Services | 28,539 | 33,764 |
| Total revenues | 54,191 | 61,531 |
| Merchandise | 6,579 | 7,131 |
| Services | 22,159 | 22,929 |
| Depreciation and amortization | 2,744 | 3,080 |
| Other | 15,787 | 19,743 |
| Total expenses | 47,269 | 52,883 |
| Segment income | \$6,922 | \$8,648 |

Funeral home merchandise revenues were \$25.7 million for the year ended December 31, 2018, a decrease of \$2.1 million from \$27.8 million for the year ended December 31, 2017. The decrease was primarily due to the impact of properties divested in the current year of \$0.9 million, a return to a normal level of cancellations of \$0.6 million as there was a reversal of the cancellation reserve in the prior year that did not recur in the current period, a decrease in traditional casket sales of \$0.5 million and a net decrease of \$0.1 million in revenues from various other products.

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Funeral home services revenues were \$28.5 million for the year ended December 31, 2018, a decrease of \$5.2 million from \$33.8 million for the year ended December 31, 2017. The decrease was primarily due to a decrease in insurance commission revenues of \$2.1 million resulting from selling fewer insurance contracts. This decrease was combined with the impact of properties divested in the current year of \$0.9 million, a decrease in service revenues of \$0.9 million primarily associated with cremation services, a return to a normal level of cancellations of \$0.6 million as there was a reversal of the cancellation reserve in the prior year that did not recur in the current period, the adoption of ASC 606 of \$0.5 million and a net decrease of \$0.2 million in revenues from various other services.

Funeral home expenses were \$47.3 million for the year ended December 31, 2018, a decrease of \$5.6 million from \$52.9 million for the year ended December 31, 2017. The decrease was primarily due to savings of \$2.9 million from elimination of the insurance sales group, the impact of properties divested in the current year of \$1.5 million, a reduction in advertising and marketing of \$0.4 million, a decrease in merchandise costs of \$0.3 million associated with the decrease in revenues and a net decrease of \$0.5 million in various other expenses.

Corporate Overhead

Corporate overhead expense was \$53.3 million for the year ended December 31, 2018, an increase of \$1.3 million from \$52.0 million for the year ended December 31, 2017. The increase was primarily due to increases in consulting fees of \$1.6 million primarily due to increased costs as a result of changes in senior management and legal fees related to the potential conversion to a C-Corp, stock compensation of \$1.5 million and salaries and wages of \$1.2 million and a net increase of \$0.5 million in various other expenses. These increases were partially offset by a \$3.5 million decrease in professional fees resulting from the completion of a review of our deferred contracts in the prior year.

Corporate Depreciation and Amortization

Depreciation and amortization expense was \$1.0 million for the year ended December 31, 2018, a decrease of 0.2 million from \$1.2 million for the year ended December 31, 2017. The decrease was primarily due to normal depreciation and amortization of the associated asset base.

Gains and Losses

Other losses, net for the year ended December 31, 2018 were \$11.5 million, an increase of \$6.7 million from \$2.0 million for the year ended December 31, 2017. During 2018, the Partnership recorded an impairment charge relating to damaged and excess inventory and other long-lived assets. See Item 8, Note 3 for additional information.

For the year ended December 31, 2017, we incurred a net \$0.9 million gain from the sales of certain cemetery and funeral home-related assets and businesses. For the year ended December 31, 2017, we recorded a loss on goodwill impairment of \$45.6 million related to our Funeral Home Operations reporting unit.

Interest Expense

Interest expense was \$30.6 million for the year ended December 31, 2018, an increase of \$3.3 million from \$27.3 million for the year ended December 31, 2017. The increase was principally due to a write-off of deferred financing costs associated with amending our debt agreement in the second quarter of 2018 combined with a higher weighted average interest rate and higher weighted average line of credit balance outstanding for the current year compared to the prior year.

Income Tax Benefit

Income tax benefit was \$1.8 million for the year ended December 31, 2018 compared to \$9.6 million for the year ended December 31, 2017. The benefit for the year ended December 31, 2018 was driven by changes in the Tax Act which allowed the Company to reduce its future long life deferred tax liabilities by post 2017 federal net operating loss carryovers. The benefit for the year ended December 31, 2017 was primarily driven by \$11.6 million benefit as a result of the Tax Act, including a \$6.5 million benefit due to the change in the federal tax rate and effective state rates and a \$5.1 million benefit based on creation of long-lived assets due to the goodwill impairment recorded in the same period, which will create future unlimited-life carryovers. Our effective tax rate differs from our statutory tax rate primarily because our legal entity structure includes different tax filing entities, including partnerships with significant income that are not subject to entity level income taxes.

LIQUIDITY AND CAPITAL RESOURCES

General

Our primary sources of liquidity are cash generated from operations and borrowings under our revolving credit facility. As an MLP, our primary cash requirements, in addition to normal operating expenses, are for capital expenditures, net contributions to

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the merchandise and perpetual care trust funds, debt service and cash distributions. In general, as part of our operating strategy, we expect to fund:

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

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

- the Partnership has continued to incur net losses for the years ended December 31, 2018 and 2017 and has an accumulated deficit as of December 31, 2018, due to an increased competitive environment, an increase in professional fees and compliance costs and an increase in consulting fees associated with the Partnership's adoption and implementation of the Accounting Standard Codification ("ASC") 606, Revenue from Contracts with Customers incurred in the year ended December 31, 2018 and 2017;
- a decline in billings coupled with the increase in professional, compliance and consulting expenses, tightened the Partnership's liquidity position and increased reliance on long-term financial obligations, which, in turn, eliminated the Partnership's ability to pay distributions;
- our failure to comply with certain covenants of our Credit Agreement (as defined below), as amended due to our inability to complete timely filings of our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, exceeding the maximum consolidated leverage ratio financial covenant for the periods ended December 31, 2017 and March 31, 2018, exceeding the maximum consolidated secured net leverage ratio financial covenant for the periods ended June 30, 2018, September 30, 2018 and December 31, 2018 and not being able to achieve the minimum consolidated fixed charge coverage ratio for the periods ended June 30, 2018, September 30, 2018 and December 31, 2018. As disclosed in the credit facility subsection in Part II, Item 8. Financial Statements and Supplementary Data Note 1 General and Note 10 Long-Term Debt, these failures constituted defaults that our lenders have waived; and
- the provision for ticking fees assessed on the amount of outstanding loans made under the Tranche A Revolving Credit Facility (the "Tranche A Revolving Loans") and payable to the Tranche A Revolving Lenders (i) in-kind, by increasing the outstanding principal amount of such Lender's Tranche A Revolving Loans ("PIK") or (ii) in cash in the following amounts and on the following dates:

• 3.00% on July 1, 2019, of which (x) 2.00% shall PIK and (y) 1.00% shall be payable in cash, unless Required Lenders agree to PIK;

•1.00% on August 1, 2019, payable in cash, unless the Required Lenders agree to PIK;

•1.00% on September 1, 2019, payable in cash, unless the Required Lenders agree to PIK; and

•1.00% on October 1, 2019, PIK;

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

- continue to manage recurring operating expenses and seek to limit non-recurring operating expenses over the next twelve-month period, which includes the January 2019 Restructuring actions as further discussed in Note 17 Subsequent Events;
- the Partnership engaged a financial advisor to advise the Partnership in the arrangement of the refinancing in full of the obligations with respect to the Tranche A Revolving Credit Facility including debt and equity financing vehicles, however, at this time the Partnership has no commitments to obtain any additional funds, and there can be no such assurance such funds will be available on acceptable terms or at all.
- complete sales of certain assets and/or businesses to provide supplemental liquidity; and
- for the reasons disclosed above, the Partnership was not in compliance with certain of its amended credit facility covenants as of December 31, 2017, March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018. These failures constituted defaults that the lenders agreed to waive pursuant to the Sixth Amendment and Waiver, the Seventh Amendment and Waiver and the Eighth Amendment and Waiver to the Partnership's credit facility on June 12, 2018, July 13, 2018 and February 4, 2019, respectively, as disclosed in the credit facility subsection in Note 10 Long-Term Debt and in Note 19 Subsequent Events. Moreover, based on the Partnership's forecasted operating performance, cash flows and projected plans to file financial statements on a timely basis consistent with the debt covenants, the Partnership does not believe it is probable that the Partnership will further breach the covenants under its amended credit facility for the next twelve-month period. However, there is no certainty that the Partnership's actual operating performance and cash flows will not be substantially different from forecasted results, and no certainty the Partnership will not need further amendments to its credit facility in the future. Factors that could impact the significant assumptions used by the Partnership in assessing its ability to satisfy its financial covenants include the following:
 - operating performance not meeting reasonably expected forecasts;
 - failing to generate profitable sales;
 - investments in the Partnership's trust funds experiencing significant declines due to factors outside its control;
 - being unable to compete successfully with other cemeteries and funeral homes in the Partnership's markets;
 - the number of deaths in the Partnership's markets declining; and
 - the mix of funeral and cemetery revenues between burials and cremations.

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

the Partnership be required to liquidate its assets. The ability of the Partnership to meet its obligations at December 31, 2018, and to continue as a going concern is dependent upon the availability of a refinancing in full of the obligations with respect to the Tranche A Revolving Credit Facility, continued ability to manage expenses and increase sales. As such, the consolidated financial statements included in this Annual Report on Form 10-K do not include any adjustments that might result from the outcome of these uncertainties.

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Cash Flows

Net cash provided by operating activities was \$26.5 million during the year ended December 31, 2018, an increase of \$11.5 million from \$15.0 million during the year ended December 31, 2017. The \$11.5 million favorable movement in net cash provided by operating activities resulted from \$44.1 million net cash inflow to fund changes in working capital and a \$32.7 million decrease in net income excluding non-cash items. The increase in net working capital was primarily the result of managing our working capital through an increased focus on collection of accounts receivable. The decrease in net income excluding non-cash items was due to a decrease in revenues coupled with increased general and administrative expense due to increased consulting and professional fees resulting from the potential C-Corp conversion and due to various changes in our senior management.

Net cash used in investing activities was \$12.6 million during the year ended December 31, 2018, an increase of \$3.6 million from \$8.9 million during the year ended December 31, 2017. Net cash used in investing activities during 2018 consisted of \$12.2 million for capital expenditures and \$1.7 million, partially offset by proceeds from asset sales of \$1.3 million, respectively. The increase was primarily attributable to a \$1.4 million increase capital expenditures during 2018 due to the construction of a funeral home on an existing cemetery location, \$1.7 million cash paid for acquisitions during 2018, compared to \$1.2 million in proceeds from divestitures in 2017, partially offset by a \$0.6 million increase in proceeds from asset sales.

Net cash used in financing activities was \$2.6 million for the year ended December 31, 2018, an increase of \$9.2 million from \$11.8 million used for the year ended December 31, 2017. Net cash used in financing activities during 2018 was driven by financing costs incurred of \$4.0 million, partially offset by proceeds from long-term debt of \$1.4 million. The increase in 2018 was due to \$24.5 million in distributions in 2017 which did not occur in 2018, partially offset by a net decline of \$13.0 million of proceeds from borrowings, net of repayments of debt and a \$2.4 million increase in the cost of financing activities.

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 furniture, fixtures, equipment and major facility improvements that are capitalized in accordance with generally accepted accounting principles.

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

| | Years Ended | |
|----------------------------------|--------------|----------|
| | December 31, | |
| | 2018 | 2017 |
| Maintenance capital expenditures | \$4,383 | \$6,894 |
| Expansion capital expenditures | 7,789 | 3,895 |
| Total capital expenditures | \$12,172 | \$10,789 |

Long-Term Debt

Credit Facility

On August 4, 2016, StoneMor Operating LLC (the “Operating Company”), a 100% owned subsidiary of the Partnership, entered into the Credit Agreement (the “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 N.A., as Syndication Agent, and TD Bank, N.A. and Raymond James Bank, N.A., as Co-Documentation Agents. In addition, on the same date, the Partnership, the Borrowers and Capital One, as Administrative Agent, entered into the Guaranty and Collateral Agreement (the “Guaranty Agreement,” and together with the Credit Agreement, “New Agreements”). Capitalized terms which are not defined in the following description of the New Agreements shall have the meaning assigned to such terms in the New Agreements, as amended.

On March 15, 2017, the Borrowers, Capital One, as Administrative Agent and acting in accordance with the written consent of the Required Lenders, entered into the First Amendment to Credit Agreement. Those parties subsequently entered into a Second Amendment and Limited waiver on July 26, 2017, a Third Amendment and Limited Waiver effective as of August 15, 2017, a Fourth Amendment to Credit Agreement dated September 29, 2017, a Fifth Amendment to Credit Agreement dated as of December 22, 2017 but effective as of September 29, 2017, a Sixth Amendment and Waiver dated as of June 12, 2018, a Seventh

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Amendment and Waiver dated as of July 13, 2018 and an Eighth Amendment and Wavier dated as of February 4, 2019. We refer to the Credit Agreement, as so amended, as the “Amended Credit Agreement.”

Prior to the Eighth Amendment, the Amended Credit Agreement provided for up to \$175.0 million initial aggregate amount of Revolving Commitments, which were subject to borrowing base limitations. Under the Eighth Amendment, the Partnership can no longer draw on Revolving Commitments under the Tranche A Revolving Credit Facility but had availability of \$20 million under the Tranche B Revolving Credit Facility (in addition to amounts drawn on February 4, 2019), which may be utilized in the amount of \$5.0 million (or integral multiple thereof) from time to time until April 30, 2019, provided that borrowings on the last \$10 million, which would result in the outstanding principal amount of the Tranche B Revolving Credit Facility being in excess of \$25.0 million, would require that the Partnership receive a fairness opinion with respect to the Tranche B Revolving Credit Facility. The Operating Company may also request the issuance of Letters of Credit for up to \$9.4 million (plus an amount equal to the principal amount of Tranche A Revolving Loans subject to the optional prepayment after the Eighth Amendment Effective Date) in the aggregate, of which there were \$9.4 million outstanding at September 30, 2018 and \$7.5 million outstanding at December 31, 2017. The Maturity Date under the Amended Credit Agreement is the earlier of (i) May 1, 2020 and (ii) the date that is six months prior to the earliest scheduled maturity date of any outstanding Permitted Unsecured Indebtedness (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).

As of December 31, 2018, the outstanding amount of borrowings under the Amended Credit Agreement was \$155.7 million, which was used to pay down outstanding obligations under the Partnership’s prior credit agreement, to pay fees, costs and expenses related to the New Agreements and to fund working capital needs. Generally, proceeds of the Loans made under the Tranche A Revolving Credit Facility under the Amended Credit Agreement could be used to finance the working capital needs and for other general corporate purposes of the Borrowers and Guarantors, including acquisitions and distributions permitted under the Amended Credit Agreement. Proceeds of the Loans made under the Tranche B Revolving Credit Facility under the Amended Credit Agreement can be used to finance the working capital needs and for other general corporate purposes of the Borrowers and Guarantors, and to pay fees and expenses related to the Tranche B Revolving Credit Facility. On the Eighth Amendment Effective Date, no part of the proceeds of loans made under the Tranche B Revolving Credit Facility may be used to make any payment of principal on the Tranche A Revolving Loans.

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

Prior to June 12, 2018, the Applicable Rate was determined based on the Consolidated Leverage Ratio of the Partnership and its Subsidiaries and ranged from 1.75% to 3.75% for Eurodollar Rate Loans, 0.75% to 2.75% for Base Rate Loans and between 0.30% and 0.50% for unused commitment fee. The Sixth Amendment increased the minimum and maximum Applicable Rate by 0.50% and redetermined the Applicable Rate based on the Consolidated Secured Net Leverage Ratio of the Partnership and its Subsidiaries to be in the range between 2.25% to 4.25% for Eurodollar Rate Loans and 1.25% to 3.25% for Base Rate Loans (but in no event less than the Applicable Rate that would be in effect if calculated as set forth in the Original Amended Agreement not giving effect to the Sixth Amendment and Waiver and the Seventh Amendment and Waiver). As a result of the Eighth Amendment, the Applicable Rate is as follows: 4.50% for Eurodollar Rate Loans and 3.50% for Base Rate Loans from February 4, 2019 to February 28, 2019; 4.75% and 3.75%, respectively, from March 1, 2019 to March 31, 2019; 5.50% and 4.50%, respectively, from April 1, 2019 to April 30, 2019; 5.75% and 4.75%, respectively, from May 1, 2019 to

May 31, 2019 and 6.00% and 5.00%, respectively, from June 1, 2019. As of December 31, 2018, the Applicable Rate for Eurodollar Rate Loans was 4.25% and for Base Rate Loans was 3.25%. On December 31, 2018, the weighted average interest rate on outstanding borrowings under the Amended Credit Agreement was 7.2%

The Amended Credit Agreement contains a financial covenant, pursuant to which the Partnership could or will not permit its Consolidated EBITDA to be less than the following amounts for the four consecutive fiscal quarters ending on the following dates: (i) \$18.0 million for the period ended March 31, 2018; (ii) \$13.0 million for the period ended June 30, 2018 (iii) \$2.5 million for the period ended September 30, 2018, (iv) (\$3.0 million) for the period ended December 31, 2018, (v) \$1.0 million for the period ending March 31, 2019, (vi) \$3.5 million for the period ending June 30, 2019; (vii) \$8.0 million for the period ending September 30, 2019, (viii) \$8.25 million for the period ending December 31, 2019; and (ix) \$9.25 million for the period ending March 31, 2020.

Additional covenants include customary limitations, subject to certain exceptions, on, among others: (i) the incurrence of Indebtedness; (ii) granting of Liens; (iii) fundamental changes and dispositions; (iv) investments, loans, advances, guarantees and acquisitions; (v) swap agreements; (vi) transactions with Affiliates; (vii) Restricted Payments; (viii) restrictive agreements; (ix) amendments to organizational documents and indebtedness; (x) prepayment of indebtedness; and (xi) Sale and Leaseback Transactions.

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The Borrowers' obligations under the Amended Credit Agreement are guaranteed by the Partnership and the Borrowers. Pursuant to the Guaranty Agreement, the Borrowers' obligations under the Amended 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 excluded assets, which include, among others: (i) Trust Accounts, certain proceeds required by law to be placed into such Trust Accounts and funds held in such Trust Accounts; and (ii) Excluded Real Property, including owned and leased real property that may not be pledged as a matter of law.

Senior Notes

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

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

| Year | Percentage |
|---------------------|------------|
| 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 governing the Senior Notes), 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 subsidiaries. The indenture governing the Senior Notes contains covenants, including limitations of our ability to incur certain additional indebtedness and liens, make certain dividends, distributions, redemptions or investments, enter into certain transactions with affiliates, make certain asset sales, and engage in certain mergers, consolidations or sales of all or substantially all of our assets, among other items. As of December 31, 2018, 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.

On April 28, 2017, we announced a quarterly cash distribution of \$0.33 per common unit pertaining to the results for the first quarter of 2017. The distribution was paid on May 15, 2017 to common unit holders of record as of the close of business on May 8, 2017. A part of or all of this quarterly cash distribution may be deemed to have been a return of capital for our limited partners if such quarterly cash distribution, when combined with all other cash distributions made during the calendar year, exceeds the partner's share of taxable income for the corresponding period, depending upon the individual limited partner's specific tax

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position. Because the Partnership's general and limited partner interests have cumulative net losses as of the end of the period, the distribution represented a return of capital to those interests in accordance with US GAAP.

Given the Partnership's level of cash and cash equivalents, to preserve capital resources and liquidity, the Board of Directors of the General Partner concluded that it was not in the best interest of unitholders to pay distributions to unitholders after the first quarter of 2017. In addition, our revolving credit facility effectively prohibits us from making distributions to unitholders.

We anticipate that we will use any cash generated from borrowings or asset sales for working capital and capital expenditures and provide a reserve to enhance our financial condition relative to the financial covenants in the Amended Credit Agreement.

Contractual Obligations and Contingencies

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

A summary of our total contractual and contingent obligations as of December 31, 2018 is presented in the table below (in thousands):

| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|---------------------------------------|--------------------|------------------------|------------------|----------------|-------------------------|
| Contractual Obligations: | | | | | |
| Debt (1) | \$394,536 | \$25,786 | \$368,712 | \$38 | \$— |
| Cemetery land purchase obligation (2) | 19,369 | 2,298 | 5,041 | 5,665 | 6,365 |
| Operating leases | 17,704 | 4,349 | 4,895 | 2,723 | 5,737 |
| Capital leases | 4,291 | 1,499 | 2,145 | 647 | — |
| Lease and management agreements (3) | 37,292 | — | — | — | — |
| Purchase commitments | 488 | 488 | — | — | — |
| Deferred revenues (4) | 914,286 | — | — | — | — |
| Total contractual obligations | 1,387,966 | 34,420 | 380,793 | 9,073 | 12,102 |
| Contingent Obligations: | | | | | |
| Letters of credit (5) | 9,419 | — | — | — | — |
| Other investment funds (6) | 165,552 | — | — | — | — |
| Total contingent obligations | 174,971 | — | — | — | — |
| Total | \$1,562,937 | \$34,420 | \$380,793 | \$9,073 | \$12,102 |

(1) Represents the interest payable and par value of debt due and does not include the unamortized debt discounts of \$1.4 million at December 31, 2018. This table assumes that current amounts outstanding under our Credit Facility are not repaid until the maturity date of August 4, 2021.

(2) Represents the amounts due related to an agreement the Partnership entered into in 2017 to purchase cemetery land in annual installments beginning January 26, 2018 through January 26, 2025.

- (3) Represents the aggregate future rent payments, with interest, due pertaining to the agreements with the Archdiocese of Philadelphia, from 2025 through 2049, and does not include the unamortized discount. See "Agreements with the Archdiocese of Philadelphia" section below.
- (4) Total cannot be separated into periods because we are unable to anticipate when the merchandise and services will be delivered. This balance represents the revenues to be recognized from the total performance obligations on customer contracts.
- (5) We are occasionally required to post letters of credit, issued by a financial institution, to secure certain insurance programs or other obligations. Letters of credit generally authorize the financial institution to make a payment to the beneficiary upon the satisfaction of a certain event or the failure to satisfy an obligation. The letters of credit are posted for one-year terms and may be renewed upon maturity until such time as we have satisfied the commitment secured by the letter of credit. We are obligated to reimburse the issuer only if the beneficiary collects on the letter of credit. We believe it is unlikely that we will be required to fund a claim under our outstanding letters of credit. As of December 31, 2018, \$9.4 million of our letters of credit were supported by our Revolving Credit Facility.
- (6) As of December 31, 2018, the perpetual care and merchandise trusts had \$165.6 million in unfunded commitments to private credit funds. These capital commitments are callable at any time during the lockup periods which range from four to ten years with three potential one year extensions at the discretion of the funds' general partners and will be funded using existing trust assets. This total cannot be separated into periods.

Not included in the above table are potential funding obligations related to our merchandise and service trusts. In certain states and provinces, we have withdrawn allowable distributable earnings including unrealized gains prior to the maturity or

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cancellation of the related contract. Additionally, some states have laws that either require replenishment of investment losses under certain circumstances or impose various restrictions when trust fund values drop below certain prescribed amounts. In the event that our trust investments do not recover from market declines, we may be required to deposit portions or all of these amounts into the respective trusts in some future period. As of December 31, 2018, we had unrealized losses of \$7.1 million in the various trusts within these states.

Agreements with the Archdiocese of Philadelphia

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

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

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

Surety Bonds

We have entered into arrangements with certain surety companies whereby such companies agree to issue surety bonds on our behalf as financial assurance and/or as required by existing state and local regulations. The surety bonds are used for various business purposes; however, the majority of the surety bonds issued and outstanding have been used to support our preneed sales activities.

When selling preneed contracts, we may post surety bonds where allowed by state law. We post the surety bonds in lieu of trusting a certain amount of funds received from the customer. If we were not able to renew or replace any such surety bond, we would only be required to fund the trust for the portion of the applicable preneed contracts for which we have received payments from the customers, less any applicable retainage, in accordance with state law. We may be required to provide additional cash collateral from time to time under certain circumstances.

For the years ended December 31, 2018 and 2017, we had \$91.4 and \$87.7, respectively, of cash receipts from sales attributable to bonded contracts. These amounts do not consider reductions associated with taxes, obtaining costs or other costs.

Surety bond premiums are paid annually and the bonds are automatically renewable until maturity of the underlying preneed contracts, unless we are given prior notice of cancellation. Except for cemetery pre-construction bonds (which are irrevocable), the surety companies generally have the right to cancel the surety bonds at any time with appropriate notice. In the event a surety company were to cancel the surety bond, we are required to obtain replacement surety assurance from another surety company or fund a trust for an amount generally less than the posted bond amount. Management does not expect that we will be required to fund material future amounts related to these surety bonds due to a lack of surety capacity or surety company non-performance..

Off-Balance Sheet Arrangements

At December 31, 2018, we had letters of credit outstanding amounting to \$9.4 million in the aggregate, which secure certain insurance programs or other obligations. The letters of credit not reflected as liabilities on our balance sheet. We have no other off-balance sheet arrangements, as defined in Item 303 of Regulation S-K, other than those disclosed on the Contractual Obligations and Commitments table above that have or are reasonably likely to have a current or future effect on our financial condition, results of operation or liquidity and capital resources.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with GAAP 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

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and assumptions include revenue and expense accruals, depreciation and amortization, merchandise trust and perpetual care trust asset valuation, allowance for cancellations, unit-based compensation, deferred revenues, deferred merchandise trust investment earnings, deferred selling and obtaining costs, assets and liabilities obtained through business combinations, income taxes, hurricane-related losses and goodwill including any interim assessment for impairment. A summary of the significant accounting policies we have adopted and followed in the preparation of our consolidated financial statements is included in Note 1 of Part II, Item 8. Financial Statements and Supplementary Data included in this report. The critical accounting policies and estimates we have identified are discussed below.

Revenue Recognition

We recognize revenue in an amount that reflects the consideration to which we expect to be entitled for the transfer of goods and services to our customers. We account for individual products and services separately as distinct performance obligations. Our performance obligations include the delivery of funeral and cemetery merchandise and services and cemetery property interment rights. Revenue is measured based on the consideration specified in a contract with a customer, and is net of any sales incentives and amounts collected on behalf of third parties. The consideration (including any discounts) is allocated among separate products and services in a package based on their relative stand-alone selling prices. The stand-alone selling price is determined by management based upon local market conditions and reasonable ranges for both merchandise and services which is the best estimate of the stand-alone price. For items that are not sold separately (e.g., second interment rights), we estimate stand-alone selling prices using the best estimate of market value. We estimated the stand-alone selling price using inputs such as average selling price and list price broken down by each geographic location. Additionally we considered typical sales promotions that could have impacted the stand-alone selling price estimates.

Revenue is recognized when control of the merchandise or services is transferred to the customer. Control transfers when merchandise is delivered or services are performed. For cemetery property interment rights, control transfers to the customer when the property is completed and available for use and the interment right has been sold and can no longer be marketed or sold to another customer.

On our at need contracts, we generally deliver the merchandise and perform the services at the time of need. Personalized marker merchandise and marker installation services sold on at need contracts are recognized when control is transferred to the customer, generally when the marker is delivered and installed in the cemetery. On our preneed contracts, we generally defer revenue associated with sales of preneed contracts and only recognize revenue when the control of the merchandise or the services is transferred to the customer, which is upon delivery of the merchandise or as services are performed, generally at the time of need. On certain preneed contracts, we may purchase the merchandise from vendors, which includes personalization, and may either store the merchandise at a vendor storage facility or at the cemetery location.

Pursuant to state law, all or a portion of the proceeds from funeral and cemetery merchandise or services sold on a preneed basis may be required to be paid into trust funds. We defer investment earnings related to these merchandise and service trusts until the associated merchandise is delivered or services are performed. A portion of the proceeds from the sale of cemetery property interment rights is required by state law to be paid by us into perpetual care trust

funds to maintain the cemetery. This portion of the proceeds is not recognized as revenue. Investment earnings from these trusts are distributed to us regularly and recognized in current cemetery revenue.

We recognize revenue and record the cost of sales when control is transferred for the merchandise, which occurs upon delivery to the third-party storage facility or installation of the merchandise at the cemetery. For more information related to revenue, see Note 1 General and Note 12 Deferred Revenues and Costs in Part II, Item 8. Financial Statements and Supplementary Data.

Deferred Revenues

Revenues from the sale of services and merchandise, as well as any investment income from the merchandise trusts, are deferred until such time that the services are performed or the merchandise is delivered. In addition to amounts deferred on new contracts, investment income and unrealized gains and losses on our merchandise trusts, deferred revenues includes deferred revenues from pre-need sales that were entered into by entities prior to the acquisition of those entities by us, including entities that were acquired by Cornerstone Family Services, Inc. upon its formation in 1999. We provide for a profit margin for these deferred revenues to account for the projected future costs of delivering products and providing services on pre-need contracts that we acquired through acquisitions. These revenues and their associated costs are recognized when the related merchandise is delivered or the services are performed and are presented on a gross basis on the consolidated statements of operations.

Loss Contract Analysis

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We perform an analysis annually to determine whether our preneed contracts are in a loss position, which would necessitate a charge to earnings. For this analysis, we add the sales prices of the underlying contracts and net realized earnings, then subtract net unrealized losses to derive the net amount of estimated proceeds for contracts as of the balance sheet date. We consider unrealized gains and losses based on current market prices quoted for the investments, and we do not include future expected returns on the investments in our analysis. We compare our estimated proceeds to the estimated direct costs to deliver our contracts, which consist primarily of funeral and cemetery merchandise costs and salaries, supplies and equipment related to the delivery of a preneed contract. If a deficiency were to exist, we would record a charge to earnings and a corresponding liability for the expected loss on delivery of those contracts from our backlog. As of December 31, 2018, no such charge was required. Due to the positive margins of our preneed contracts and the trust portfolio returns we have experienced in prior years, we believe there is currently capacity for additional market depreciation before a loss contract would result.

Accounts Receivable Allowance for Cancellations

Prior to the adoption of ASC 606, at the time of a pre-need sale, we recorded an account receivable in an amount equal to the total contract value less any cash deposit paid net of an estimated allowance for cancellations. Upon adoption of ASC 606, the Partnership reclassified amounts due from customers for unfulfilled performance obligations on cancellable pre-need contracts to deferred revenue, net. As a result, the Partnership also eliminated the allowance for cancellation of these performance obligations. As the Partnership is now presenting the accounts receivable net of cancellable contracts, the allowance for cancellations was removed and the allowance on accounts receivable is represented by the provision for bad debt.

We provide for bad debt by applying a cancellation rate to amounts included in Accounts Receivable that have been recognized in revenue. The cancellation rate is based upon a five year average rate by each specific location.

Other-Than-Temporary Impairment of Trust Assets

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

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

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

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

If there is no intent to sell, we evaluate if it is not more likely than not that we will be required to sell the debt security before its anticipated recovery. If we determine that it is more likely than not that we will be required to sell an impaired investment before its anticipated recovery, the impairment is considered to be other-than-temporary. We further evaluate whether or not all assets in the trusts have other-than-temporary impairments based upon a number of criteria including the severity of the impairment, length of time a security has been in a loss position, changes in market conditions and concerns related to the specific issuer.

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

Business Combinations

Tangible and intangible assets acquired and liabilities assumed are recorded at their fair value and goodwill or bargain gain is recognized for any difference between the price of acquisition and our fair value determination. We have customarily estimated our purchase costs and other related transactions known to us at closing of the acquisition. To the extent that information not

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available to us at the closing date subsequently becomes available during the allocation period, we may adjust goodwill, intangible assets, assets or liabilities associated with the acquisition.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired. We test goodwill for impairment by comparing the fair value of the reporting unit to its carrying amount, including goodwill. We determine the fair value of each reporting unit using a market multiple method to corroborate the value derived from using the income approach. We test goodwill for impairment annually, or more frequently whenever events or changes in circumstances indicate that the asset might be impaired. Our annual assessment has historically been performed as of December 31. However, during the fourth quarter of 2018, we changed our annual goodwill impairment test date from December 31st to October 1st, which necessitated completing a test as of October 1, 2018 so that no more than 12 months elapsed between annual tests.

In the fourth quarter of 2017, the Partnership early adopted ASU 2017-04, Intangibles-Goodwill and Other (Topic 350) which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, impairment is defined as the amount by which the carrying value of the reporting unit exceeds its fair value, up to the total amount of goodwill. We do not record an impairment of goodwill in instances where the fair value of a reporting unit exceeds its carrying amount.

The Partnership conducts its evaluation of goodwill impairment at the reporting unit level on an annual basis, and more frequently if events or circumstances indicate that the carrying value of a reporting unit exceeds its fair value. As of October 1, 2018, the reporting unit with assigned goodwill was the Cemetery Operations segment. Goodwill impairment testing involves management judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by the fair value of the individual reporting unit using widely accepted valuation techniques, such as the market approach (earnings and price-to-book value multiples of comparable public companies) and/or the income approach (discounted cash flow (DCF) method).

The Partnership applied the DCF method and utilized a number of factors, including actual operating results, future business plans, economic projections, volatility of earnings, changes in senior management and market data. The DCF method of the income approach incorporated the reporting units' forecasted cash flows, including a terminal value to estimate the fair value of cash flows beyond the final year of the forecasts. The discount rates utilized to obtain the net present value of the reporting units' cash flows were estimated using the capital asset pricing model. Significant inputs to this model include a risk-free rate of return, beta (which is a measure of the level of non-diversifiable risk associated with comparable companies for each specific reporting unit), market equity risk premium and in certain cases an unsystematic (Partnership-specific) risk factor. The unsystematic risk factor is the input that specifically addresses uncertainty related to the Partnership's projections of earnings and growth, including the uncertainty related to loss expectations. The Partnership utilized discount rates that it believes adequately reflect the risk and uncertainty in the financial markets generally and specifically in its internally developed forecasts. The Partnership estimated expected rates of equity returns based on historical market returns and risk/return rates for similar industries of the reporting unit. The Partnership uses its internal forecasts to estimate future cash flows, and actual results may differ from forecasted results.

The fair value determinations mentioned above require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill impairment test will prove to be accurate predictions of the future. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and

ultimately impact the estimated fair value of the aforementioned reporting units may include such items as follows:

- a prolonged downturn in the business environment in which the reporting unit operates;
- reporting unit performance which significantly differs from our assumptions;
- volatility in equity and debt markets resulting in higher discount rates; and
- unexpected regulatory changes.

The Partnership completed its annual goodwill impairment assessment as of October 1, 2018. As a result of such assessment, management concluded that the fair value of its Cemetery Operations reporting unit exceeded its carrying value by approximately 40.5%. While historical performance and current expectations have resulted in fair value of its Cemetery Operations reporting unit in excess of its carrying value, if our assumptions are not realized, it is possible that in the future an impairment charge may need to be recorded. The Partnership has sensitized certain key assumptions used to calculate Cemetery Operations reporting unit fair value, and note that either a 20% or greater shortfall of actual revenue growth to forecasted revenue growth or a 3.2% or greater increase in the discount rate would trigger impairment of the reporting unit. However, it is not possible at this time to determine if an impairment charge would result or if any such charge would be material.

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Impairment of Long Lived Assets

We assess the carrying values of our long lived assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to the future net cash flow, undiscounted and without interest, expected to be generated by the asset.

In evaluating our assets for recoverability, we consider current market conditions, as well as our intent with respect to holding or disposing of the asset. Our intent with regard to the underlying assets might change as market conditions change, as well as other factors. Fair value is determined through various valuation techniques, including the income approach using a market discount rate, terminal capitalization rate and rental rate assumptions, or on the sales comparison approach to similar assets. If our analysis indicates that the carrying value of the asset is not recoverable, we recognize an impairment charge for the amount by which the carrying value exceeds the current estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Assumptions and estimates used in the recoverability analyses for future cash flow, discount rates and capitalization rates are complex and subjective. Changes in economic and operating conditions or our intent with regard to our assets that occurs subsequent to our impairment analyses could impact these assumptions and result in future impairments of our assets.

Income Taxes

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

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

In evaluating our ability to recover deferred tax assets, we consider all available positive and negative evidence, including our past operating results, recent cumulative losses and our forecast of future taxable income. In determining future taxable income, we make assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Any reduction in estimated future taxable income may require us to record an additional valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings.

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

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 provides a

measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting for the income tax effects of certain elements of the Tax Act. In accordance with SAB 118, we recognized the provisional tax impacts related to the remeasurement of deferred tax assets and liabilities and included these amounts in our consolidated financial statements for the year ended December 31, 2017. We have completed our analysis in 2018 and no material adjustments are noted. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions we have made, additional regulatory guidance that may be issued and actions we may take as a result of the Tax Act. For further information on the impacts of the Tax Act, see Note 11 in Part II, Item 8. Financial Statements and Supplementary Data.

As of December 31, 2018, our taxable corporate subsidiaries had federal and state net operating loss carryforwards of approximately \$396.6 million and \$500.7 million, respectively, a portion of which expires annually. Our ability to use such federal net operating loss carryforwards may be limited by changes in the ownership of our units deemed to result in an "ownership change" under the applicable provisions of the Internal Revenue Code of 1986, as amended.

Contingencies

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We are subject to various legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in general and administrative expenses. Contingent accruals are recorded in the Consolidated Statements of Operations when we determine that a loss related to a litigation matter is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgments regarding future events.

Insurance loss reserves

We purchase comprehensive general liability, professional liability, automobile liability and workers' compensation insurance coverages structured with high deductibles. This high-deductible insurance program means we are primarily self-insured for claims and associated costs and losses covered by these policies. Historical insurance industry experience indicates a high degree of inherent variability in assessing the ultimate amount of losses associated with casualty insurance claims. This is especially true with respect to liability and workers' compensation exposures due to the extended period of time that transpires between when the claim might occur and the full settlement of such claim, which is often many years. We continually evaluate loss estimates associated with claims and losses related to these insurance coverages falling within the deductible of each coverage. Assumptions based on factors such as claim settlement patterns, claim development trends, claim frequency and severity patterns, inflationary trends and data reasonableness will generally affect the analysis and determination of the "best estimate" of the projected ultimate claim losses. The results of these evaluations are used to both analyze and adjust our insurance loss reserves.

Recent Accounting Pronouncements and Accounting Changes

For discussion of recent accounting pronouncements and accounting changes, see Note 1 in Part II, Item 8. Financial Statements and Supplementary Data.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The trusts are invested in assets with the primary objective of maximizing income and distributable cash flow for trust distributions, while maintaining an acceptable level of risk. Certain asset classes which the Partnership invests in for the purpose of maximizing yield are subject to an increased market risk. This increased market risk will create volatility in the unrealized gains and losses of the trust assets from period to period.

INTEREST-BEARING INVESTMENTS

Our fixed-income securities subject to market risk consist primarily of certain investments in our merchandise trusts and perpetual care trusts. As of December 31, 2018, the fair value of fixed-income securities in our merchandise trusts and perpetual care trusts represented 0.3% and 1.7%, of the fair value of total trust assets, respectively. The aggregate of the quoted fair value of these fixed-income securities was \$1.3 million and \$5.6 million in the merchandise trusts and perpetual care trusts, respectively, as of December 31, 2018. Holding all other variables constant, a hypothetical 1% change in variable interest rates on these fixed-income securities would change the fair market value of the assets in both our merchandise trusts and perpetual care trusts by less than \$0.1 million based on discounted expected future cash flows. If these securities are held to maturity, no change in fair market value will be realized. Our money market and other short-term investments subject to market risk consist primarily of certain investments in our merchandise trusts and perpetual care trusts. As of December 31, 2018, the fair value of money market and short-term investments in our merchandise trusts and perpetual care trusts represented 3.5% and 3.9%, respectively, of the fair value of total trust assets. The aggregate of the quoted fair value of these money market and short-term investments was \$16.9 million and \$12.8 million in the merchandise trusts and perpetual care trusts, respectively, as of December 31, 2018. Holding all other variables constant, a hypothetical 1% change in variable interest rates on these money market and short-term investments would change the fair market value of the assets in both our merchandise trusts and perpetual care trusts by approximately \$0.2 and \$0.1 million, respectively, based on discounted expected future cash flows.

MARKETABLE EQUITY SECURITIES

Our marketable equity securities subject to market risk consist primarily of certain investments held in our merchandise trusts and perpetual care trusts. These assets consist of investments in both individual equity securities as well as closed and open-

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ended mutual funds. As of December 31, 2018, the fair value of marketable equity securities in our merchandise trusts and perpetual care trusts represented 3.9% and 6.3%, of the fair value of total trust assets, respectively. The aggregate of the quoted fair market value of these individual equity securities was \$19.2 million and \$20.7 million in our merchandise trusts and perpetual care trusts, respectively, as of December 31, 2018, based on final quoted sales prices. Holding all other variables constant, a hypothetical 10% change in variable interest rates of the equity securities would change the fair market value of the assets in our merchandise trusts and perpetual care trusts by approximately \$1.9 million and \$2.1 million, respectively, based on discounted expected future cash flows. As of December 31, 2018, the fair value of marketable closed and open-ended mutual funds in our merchandise trusts represented 42.7% of the fair value of total merchandise trust assets, 80.4% of which pertained to fixed-income mutual funds. As of December 31, 2018, the fair value of marketable closed and open-ended mutual funds in our perpetual care trusts represented 38.6% of total perpetual care trust assets, 84.5% of which pertained to fixed-income mutual funds. The aggregate of the quoted fair market value of these closed and open-ended mutual funds was \$230.6 million and \$127.7 million in the merchandise trusts and perpetual care trusts, respectively, as of December 31, 2018, based on final quoted sales prices, of which \$185.5 million and \$107.8 million, respectively, pertained to fixed-income mutual funds. Holding all other variables constant, a hypothetical 10% change in the average market prices of the closed and open-ended mutual funds would change the fair market value of the assets in our merchandise trusts and perpetual care trusts by approximately \$23.1 million and \$12.8 million, respectively, based on discounted expected future cash flows.

OTHER INVESTMENT FUNDS

Other investment funds are measured at fair value using the net asset value per share practical expedient. This asset class is composed of fixed income funds and equity funds, which have a redemption period ranging from 1 to 30 days, and private credit funds, which have lockup periods ranging from two to eight years with three potential one year extensions at the discretion of the funds' general partners. This asset class has an inherent valuation risk as the values provided by investment fund managers may not represent the liquidation values obtained by the trusts upon redemption or liquidation of the fund assets. As of December 31, 2018, the fair value of other investment funds in our merchandise trusts and perpetual care trusts represented 41.6% and 49.5%, respectively, of the fair value of total trust assets. The fair market value of the holdings in these funds was \$203.3 million and \$163.7 million in our merchandise trusts and perpetual care trusts, respectively, as of December 31, 2018, based on net asset value quotes.

DEBT INSTRUMENTS

Certain borrowings under our Amended Credit Facility bear interest at a floating rate, based on LIBOR, which is adjusted quarterly. This subjects us to increases in interest expense resulting from movements in interest rates. As of December 31, 2018, we had \$155.7 million of borrowings outstanding under our credit facility, which generally bears interest at a variable rate.

Holding all other variables constant, a hypothetical 1% change in variable interest rates would change our consolidated interest expense for the year ended December 31, 2018 by approximately \$1.6 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the financial statements

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

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

Change in accounting principle

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

Basis for opinion

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

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

/s/ Grant Thornton LLP

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

Philadelphia, Pennsylvania

April 2, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

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

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

Basis for Opinion

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

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

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

July 16, 2018

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

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STONEMOR PARTNERS L.P.

CONSOLIDATED BALANCE SHEETS

(in thousands)

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

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| | | |
|---|-------------|-------------|
| Common limited partners' interest | (2,570) | 94,655 |
| Total partners' (deficit) capital | (6,578) | 91,696 |
| Total liabilities and partners' capital | \$1,669,101 | \$1,756,082 |

See Accompanying Notes to Consolidated Financial Statements.

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STONEMOR PARTNERS L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data)

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

(basic and diluted)

See Accompanying Notes to Consolidated Financial Statements.

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STONEMOR PARTNERS L.P.

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

(dollars in thousands)

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

See Accompanying Notes to Consolidated Financial Statements.

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STONEMOR PARTNERS L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

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

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| | | |
|---|----------|----------|
| Cash and cash equivalents—End of period | \$18,147 | \$6,821 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for interest | \$25,606 | \$22,901 |
| Cash paid during the period for income taxes | \$1,725 | \$2,756 |
| Non-cash investing and financing activities: | | |
| Acquisition of assets by financing | \$2,673 | \$2,705 |
| Classification of assets as held for sale | \$543 | \$1,016 |

See Accompanying Notes to Consolidated Financial Statements.

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STONEMOR PARTNERS L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Presentation

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

Principles of Consolidation

The consolidated financial statements include the accounts of each of the Partnership's 100% owned subsidiaries. These statements also include the accounts of the merchandise and perpetual care trusts in which the Partnership has a variable interest and is the primary beneficiary. The Partnership operates 31 cemeteries under long-term lease, operating or management agreements. The operations of 16 of these managed cemeteries have been consolidated.

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

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

Reclassifications and Adjustments to Prior Period Financial Statements

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation in the consolidated results of operations, primarily to present interment rights separately from merchandise revenues and to reclassify items that were previously recorded in Merchandise Revenues that represented

the installation of certain merchandise items which are now presented in Services. There was no effect on the previously reported consolidated results of operations, consolidated financial position or cash flows, except as described below under "Recently Issued Accounting Standard Updates - Adopted in the Current Period."

Merger and Reorganization Agreement

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

Upon the terms and subject to the conditions set forth in the Merger Agreement, GP Holdings shall contribute the 2,332,878 common units representing limited partner interests in the Partnership (the "Common Units") owned by it (the "GP Holdings' Common Units") to GP and immediately following receipt thereof, GP shall contribute the GP Holdings' Common Units to StoneMor LP Holdings, LLC, a Delaware limited liability company and wholly owned subsidiary of GP ("LP Sub") and LP Sub

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

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

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

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

Uses and Sources of Liquidity

The Partnership's primary sources of liquidity are cash generated from operations and borrowings under its revolving credit facility. As a master limited partnership ("MLP"), the Partnership's primary cash requirements, in addition to normal operating expenses, are for capital expenditures, net contributions to the merchandise and perpetual care trust funds, debt service and cash distributions. In general, as part of its operating strategy, the Partnership expects to fund:

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

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

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

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

- continue to manage recurring operating expenses and seek to limit non-recurring operating expenses over the next twelve-month period, which includes the January 2019 Restructuring actions as further discussed in Note 19 Subsequent Events;
- the Partnership engaged a financial advisor to advise the Partnership in the arrangement of the refinancing in full of the obligations with respect to the Tranche A Revolving Credit Facility including debt and equity financing vehicles,

however, at this time the Partnership has no commitments to obtain any additional funds, and there can be no such assurance such funds will be available on acceptable terms or at all;

• complete sales of certain assets and businesses to provide supplemental liquidity; and

- for the reasons disclosed above, the Partnership was not in compliance with certain of its amended credit facility covenants as of December 31, 2017, March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018. These failures constituted defaults that the lenders agreed to waive pursuant to the Sixth Amendment and Waiver, the Seventh Amendment and Waiver and the Eighth Amendment and Waiver to the Partnership's credit facility on June 12, 2018, July 13, 2018 and February 4, 2019, respectively, as disclosed in the credit facility subsection in Note 10 Long-Term Debt and in Note 19 Subsequent Events. Moreover, based on the Partnership's forecasted operating performance, cash

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flows and projected plans to file financial statements on a timely basis consistent with the debt covenants, the Partnership does not believe it is probable that the Partnership will further breach the covenants under its amended credit facility for the next twelve-month period. However, there is no certainty that the Partnership's actual operating performance and cash flows will not be substantially different from forecasted results, and no certainty the Partnership will not need further amendments to its credit facility in the future. Factors that could impact the significant assumptions used by the Partnership in assessing its ability to satisfy its financial covenants include the following:

- operating performance not meeting reasonably expected forecasts;
- failing to generate profitable sales;
- investments in the Partnership's trust funds experiencing significant declines due to factors outside its control;
- being unable to compete successfully with other cemeteries and funeral homes in the Partnership's markets;
- the number of deaths in the Partnership's markets declining; and
- the mix of funeral and cemetery revenues between burials and cremations.

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

Summary of Significant Accounting Policies

Use of Estimates

The preparation of the Partnership's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenue and expense during the reporting periods. The Partnership's consolidated financial statements are based on a number of significant estimates, including revenue and expense accruals, depreciation and amortization,

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

Revenues

The Partnership's revenues are derived from contracts with customers through sale and delivery of death care products and services. Primary sources of revenue are derived from (1) cemetery and funeral home operations generated both at the time of death (“at-need”) and prior to the time of death (“pre-need”), classified on the Statements of Operations as Interments,

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Merchandise and Services and (2) investment income which includes income earned on assets maintained in perpetual care and merchandise trusts related to sales of cemetery and funeral home merchandise and services occurring prior to the time of death and required to be maintained in the trust by state law as well as interest earned on pre-need installment contracts. Investment income is presented within Investment and other for Cemetery revenue and Services for Funeral home revenue

Cemetery and Funeral Home Operations

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

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

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

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

At the time of a non-cancellable pre-need sale, the Partnership records an account receivable in an amount equal to the total contract value less unearned finance income and any cash deposit paid. The revenue from both the sales and interest income from trusted funds are deferred until the merchandise is delivered or the services are performed. For a sale in a cancellable state, an account receivable is only recorded to the extent control has transferred to the customer for interment rights, merchandise or services for which the Partnership has not collected cash. The amounts collected from customers in states in which pre-need contracts are cancellable may be subject to refund provisions. The

Partnership estimates the fair value of its refund obligation under such contracts on a quarterly basis and records such obligations within the other long-term liabilities line item on its Condensed Consolidated Balance Sheet.

Nature of Goods and Services

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

Cemetery Operations

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

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inputs such as average selling price and list price broken down by each geographic location. Additionally the Partnership considered typical sales promotions that could have impacted the stand-alone selling price estimates.

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

Merchandise revenue and deferred investment earnings on merchandise trusts are recognized when a customer obtains control of the product. This usually occurs when the customer takes possession of the product (title has transferred to the customer and the merchandise is either installed or stored, at the direction of the customer, at the vendor's warehouse or a third-party warehouse at no additional cost to the Partnership). The amount of revenue recognized is adjusted for expected refunds, which are estimated based on applicable law, general business practices and historical experience observed specific to the respective performance obligation. The estimate of the refund obligation is reevaluated on a quarterly basis. In addition, we are entitled to retain, in certain jurisdictions, a portion of collected customer payments when a customer cancels a pre-need contract; these amounts are also recognized in revenue at the time the contract is cancelled.

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

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

Funeral Home Operations

Our Funeral Home Operations segment principally generates revenue from (1) sales of funeral home merchandise which includes caskets and other funeral related items ("Merchandise") and (2) service revenues, including services such as family consultation, the removal of and preparation of remains and the use of funeral home facilities for visitation and services of remembrance ("Services"). Our funeral home operations also include revenues related to the sale of term and whole life insurance on an agency basis, in which we earn a commission from the sales of these policies. Insurance commission revenue is reported within service revenues. Products and services may be sold separately or in packages. For packages, the Partnership accounts for individual products and services separately as they are distinct

(i.e., the product or service is separately identifiable from other items in the package and the customer can benefit from it on its own or with other resources that are readily available to the customer). The consideration (including any discounts) is allocated among separate products and services based on their relative stand-alone selling prices. The relative stand-alone selling price is determined by management's best estimate of the stand-alone price based upon the list price at each location. Funeral Home Operations primarily generate revenues from at-need sales.

Merchandise revenue is recognized when a customer obtains control of the product. This usually occurs when the customer takes possession of the product (title has transferred to the customer and the merchandise is either installed or stored, at the direction of the customer, at the vendor's warehouse or a third-party warehouse). The amount of revenue recognized is adjusted for expected refunds, which are estimated based on applicable law, general business practices and historical experience observed specific to the respective performance obligations. The estimate of the refund obligation is reevaluated on a quarterly basis.

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

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

Deferred Selling and Obtaining Costs

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

As of December 31, 2018, we had \$112.7 million in deferred incremental direct selling costs included in Deferred charges and other assets. These deferred costs are classified as long-term on our Condensed Consolidated Balance Sheet because the

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Partnership does not control the timing of the delivery of the merchandise or performance of the services as they are generally provided at the time of need. During the year ended December 31, 2018, the Partnership recognized \$4.8 million from deferred incremental direct selling costs.

Cash and Cash Equivalents

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

Accounts Receivable, Net of Allowance

The Partnership sells pre-need cemetery contracts whereby the customer enters into arrangements for future merchandise and services prior to the time of need. These sales are usually made using interest-bearing installment contracts not to exceed 60 months. The interest income is recorded as revenue when the interest amount is considered realizable and collectible, which typically coincides with cash payment. Interest income is not recognized until payments are collected in accordance with the contract. At the time of a pre-need sale, the Partnership records an account receivable in an amount equal to the total contract value less unearned finance income and any cash deposit paid, net of an estimated allowance for customer cancellations. The Partnership recognizes an allowance for cancellation of these receivables based upon its historical experience, which is recorded as a reduction in accounts receivable and a corresponding offset to deferred revenues. The Partnership recognizes an allowance for cancellation of receivables related to recognized contracts as an offset to revenue.

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

Assets Held for Sale

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

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

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

The Partnership classified certain assets of two cemeteries and two funeral homes at December 31, 2018 and two cemeteries and three funeral homes at December 31, 2017 as held for sale. The contributions of revenues and earnings

by these assets in 2018 and 2017 were not material. Assets held for sale consisted of the following at the date indicated (in thousands):

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

Cemetery Property

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Cemetery property consists of developed and undeveloped cemetery land, constructed mausoleum crypts and lawn crypts and other cemetery property. Cemetery property is stated at cost or, upon acquisition of a business, at the fair value of the assets acquired.

Property and Equipment

Property and equipment is stated at cost or, upon acquisition of a business, at the fair value of the assets acquired and depreciated on a straight-line basis. Maintenance and repairs are charged to expense as incurred, whereas additions and major replacements are capitalized and depreciation is recorded over their estimated useful lives as follows:

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

Merchandise Trusts

Pursuant to state law, a portion of the proceeds from pre-need sales of merchandise and services is put into trust (the "merchandise trust") until such time that the Partnership meets the requirements for releasing trust principal, which is generally delivery of merchandise or performance of services. All investment earnings generated by the assets in the merchandise trusts (including realized gains and losses) are deferred until the associated merchandise is delivered or the services are performed (see Note 7).

Perpetual Care Trusts

Pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. The perpetual care trust principal does not belong to the Partnership and must remain in this trust in perpetuity, while interest and dividends may be released and used to defray cemetery maintenance costs, which are expensed as incurred. The Partnership consolidates the trust into its financial statements because the trust is considered a variable interest entity for which the Partnership is the primary beneficiary. Earnings from the perpetual care trusts are recognized in current cemetery revenues (see Note 8).

Fair Value Measurements

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

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

Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement. The categorization of the asset or liability within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. For additional disclosures for all of our available-for-sale securities, see Note 7 and Note 8.

Inventories

Inventories are classified within other current assets on the Partnership's consolidated balance sheets and include cemetery and funeral home merchandise valued at the lower of cost or net realizable value. Cost is determined primarily on a specific identification basis using a first-in, first-out method. Inventories were approximately \$7.5 million and \$12.1 million at December 31, 2018 and 2017, respectively. Refer to Note 3 Impairment and Other Losses, for further information regarding impairment of inventories.

Impairment of Long-Lived Assets

The Partnership monitors the recoverability of long-lived assets, including cemetery property, property and equipment and other assets, based on estimates using factors such as current market value, future asset utilization, business and regulatory climate and future undiscounted cash flows expected to result from the use of the related assets, at a location level. The Partnership's policy

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is to evaluate an asset for impairment when events or circumstances indicate that a long-lived asset's carrying value may not be recovered. An impairment charge is recorded to write-down the asset to its fair value if the sum of future undiscounted cash flows is less than the carrying value of the asset.

Other-Than-Temporary Impairment of Trust Assets

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

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

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

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

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

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

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

Goodwill

The Partnership tests goodwill for impairment at least annually or if impairment indicators arise by comparing its reporting units' estimated fair values to carrying values. Because quoted market prices for the reporting units are not available, the Partnership's management must apply judgment in determining the estimated fair value of these reporting units.

The Partnership's management uses all available information to make these fair value determinations, including the present values of expected future cash flows using discount rates commensurate with the risks involved in the Partnership's assets and the available market data of the industry group. A key component of these fair value determinations is a reconciliation of the sum of the fair value calculations to the Partnership's market capitalization. The observed market prices of individual trades of an entity's equity securities (and thus its computed market capitalization) may not be representative of the fair value of the entity as a whole. Management will continue to evaluate goodwill at least annually, or more frequently if events or circumstances indicate that the carrying value of a reporting unit exceeds its fair value.

In the fourth quarter of 2017, the Partnership early adopted ASU 2017-04, Intangibles-Goodwill and Other (Topic 350) which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, impairment is defined as the amount by which the carrying value of the reporting unit exceeds its fair

value, up to the total amount of goodwill. Additionally, during the fourth quarter of 2018, we changed our annual goodwill impairment test date from December 31st to October 1st, which necessitated completing a test as of October 1, 2018 so that no more than 12 months elapsed between annual tests.

Intangible Assets

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

Accounts Payable and Accrued Liabilities

The Partnership records liabilities for expenses incurred related to the current period in accounts payable and accrued liabilities on the Partnership's consolidated balance sheets. At December 31, 2018 and 2017, accounts payable and accrued liabilities was comprised of accounts payable of \$29.8 million and \$18.5 million, respectively, accrued expenses of \$21.7 million and \$15.9

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million, respectively, benefits and payroll liabilities of \$6.9 million and \$5.7 million, respectively, and tax liabilities of \$3.1 million and \$2.9 million, respectively. The \$5.6 million increase in accrued expenses related to professional fee expenses.

Deferred Revenues

Revenues from the sale of services and merchandise as well as any investment income from the merchandise trusts is deferred until such time that the services are performed or the merchandise is delivered.

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

Income Taxes

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

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

Net Loss per Common Unit

Basic net income (loss) attributable to common limited partners per unit is computed by dividing net income (loss) attributable to common limited partners, which is determined after the deduction of the general partner's interest, by the weighted average number of common limited partner units outstanding during the period. Net income (loss) attributable to common limited partners is determined by deducting net income (loss) attributable to participating securities, if applicable, and net income (loss) attributable to the general partner's units. The general partner's interest in net income (loss) is calculated on a quarterly basis based upon its units and incentive distributions to be distributed for the quarter, with a priority allocation of net income to the general partner's incentive distributions, if any, in accordance with the partnership agreement, and the remaining net income (loss) allocated with respect to the general

partner's and limited partners' ownership interests.

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

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

| | Years Ended December 31, | |
|--|-----------------------------|-------------|
| | 2018 | 2017 |
| Net loss | \$(72,699) | \$ (75,158) |
| Less: Incentive distribution right (“IDR”) payments to general partner | — | — |
| Net loss to allocate to general and limited partners | (72,699) | (75,158) |
| General partner’s interest excluding IDRs | (757) | (782) |
| Net loss attributable to common limited partners | \$(71,942) | \$ (74,376) |

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

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

| | Years Ended December 31, | |
|---|-----------------------------|--------|
| | 2018 | 2017 |
| Weighted average number of common limited partner units—basic | 37,959 | 37,948 |
| Add effect of dilutive incentive awards (1) | — | — |
| Weighted average number of common limited partner units—diluted | 37,959 | 37,948 |

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

Recently Issued Accounting Standard Updates - Adopted in the Current Period

Revenue

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In addition, these updates

enhance the disclosure requirements relating to revenue recognition and related cash flows. Additionally, the new revenue standard (“ASC 606”) requires the deferral of incremental direct selling costs to the period in which the related revenue is recognized. ASC 606, the new revenue standard, was effective for annual reporting periods (including interim reporting periods within those periods) beginning January 1, 2018.

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

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

The standard primarily impacts the manner in which we recognize (a) certain nonrefundable up-front fees and (b) incremental costs to acquire pre-need and at-need contracts (i.e., selling costs). The nonrefundable fees will be deferred and recognized as revenue when the underlying goods and services are delivered to the customer. The incremental direct selling costs will be deferred and recognized by specific identification upon the delivery of the underlying goods and services. The Partnership

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recorded a total net impact of \$28.1 million decrease to the opening balance sheet of partners' capital which was comprised of the adjustment to deferred revenue, the adjustment to deferred selling expense, establishment of the refund liability and the corresponding tax impact. Further, under the new revenue standard, the amounts due from customers for unfulfilled performance obligations on cancellable pre-need contracts may only be recognized to the extent that control has transferred to the customer for interments, merchandise or services for which the Partnership has not collected cash. Accordingly, we reclassified approximately \$11.4 million of accounts receivable, net of allowance and \$14.1 million of long-term receivables, net of allowance for a total of \$25.5 million for unfulfilled performance obligations on cancelable preneed contracts to deferred revenue, net. As a result of adoption of the new revenue standard, we have also eliminated our previous cancellation reserve on these performance obligations in the amount of \$12.9 million, which resulted in an increase in deferred revenue and accounts receivable.

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments

In the first quarter of 2016, the FASB issued Update No. 2016-01, Financial Instruments (Subtopic 825-10) ("ASU 2016-01"). The core principle of ASU 2016-01 is that all equity investments should be measured at fair value with changes in the fair value recognized through operations. The amendment was effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application was not permitted for the key aspects of the amendment. The adoption of ASU 2016-01 on January 1, 2018 did not have a material impact on the Partnership's financial position, results of operations and related disclosures. These changes in fair value will be offset by a corresponding change in deferred merchandise trust gains (losses) within "Deferred revenues, net" and in "Perpetual care trust corpus" on the Partnership's condensed consolidated balance sheet.

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

Cash Flows

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

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

Business Combinations

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

Income Taxes

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

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

Presentation

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

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

Leases

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

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

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

ASU 2016-02 provides for certain practical expedients when adopting the guidance. The Partnership plans to elect the package of practical expedients allowing the Partnership to not reassess whether any expired or existing contracts are, or contain, leases, the lease classification for any expired or existing leases or initial direct costs for any expired or existing leases. The Partnership does not plan to apply the hindsight practical expedient allowing the Partnership to use hindsight when determining the lease term (i.e., evaluating the Partnership's option to renew or terminate the lease or to purchase the underlying asset) and assessing impairment of expired or existing leases. The Partnership plans to apply the land easements practical expedient allowing the Partnership to not assess whether any expired or existing land easements are, or contain, leases if they were not previously accounted for as leases under the existing leasing guidance. Instead, the Partnership will continue to apply its existing accounting policies to historical land easements. The Partnership elects to apply the short-term lease exception; therefore, the Partnership will not record a right-of-use

asset or corresponding lease liability for leases with a term of twelve months or less and instead recognize a single lease cost allocated over the lease term, generally on a straight-line basis. The Partnership plans to elect the practical expedient to not separate lease components from non-lease components and instead account for both as a single lease component for all asset classes.

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

Credit Losses

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

2. ACQUISITIONS

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

3. IMPAIRMENT & OTHER LOSSES

Inventory

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

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

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

have been deemed reasonable by management and included percentages of merchandise deemed unusable. Management's assessment process relied on estimates and assumptions that are inherently uncertain, and unanticipated events or circumstances may occur that might cause the Partnership to change those estimates and assumptions.

Impairment of Long-Lived Assets

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

Assets Held for Sale

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

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

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

4. ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

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

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

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

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

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

5. CEMETERY PROPERTY

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

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

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

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6. PROPERTY AND EQUIPMENT

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

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

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

7. MERCHANDISE TRUSTS

At December 31, 2018 and 2017, the Partnership's merchandise trusts consisted of investments in debt and equity marketable securities and cash equivalents, both directly as well as through mutual and investment funds.

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

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

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

The Partnership included \$8.7 million and \$9.1 million of investments held in trust as required by law by the West Virginia Funeral Directors Association at December 31, 2018 and December 31, 2017, respectively in its merchandise trust assets. These trusts are recognized at their account value, which approximates fair value.

A reconciliation of the Partnership's merchandise trust activities for the years ended December 31, 2018 and 2017 is presented below (in thousands):

Years Ended
December 31,

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

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

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

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

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

| December 31, 2017 | Fair Value | Cost | Gross | Gross | Fair Value |
|--------------------------------|-----------------|-----------|------------------|-------------------|------------|
| | Hierarchy Level | | Unrealized Gains | Unrealized Losses | |
| Short-term investments | 1 | \$ 10,421 | \$ — | \$ — | \$ 10,421 |
| Fixed maturities: | | | | | |
| U.S. governmental securities | 2 | 196 | 1 | (65) | 132 |
| Corporate debt securities | 2 | 1,204 | 52 | (242) | 1,014 |
| Total fixed maturities | | 1,400 | 53 | (307) | 1,146 |
| Mutual funds—debt securities | 1 | 222,450 | 1,522 | (1,211) | 222,761 |
| Mutual funds—equity securities | 1 | 71,500 | 2,399 | (6,292) | 67,607 |
| Other investment funds (1) | | 171,044 | 522 | (401) | 171,165 |

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| | | | | | |
|--------------------------------|---|-----------|----------|-------------|-----------|
| Equity securities | 1 | 21,808 | 2,715 | (277) | 24,246 |
| Other invested assets | 2 | 9,013 | — | — | 9,013 |
| Total investments | | \$507,636 | \$ 7,211 | \$ (8,488) | \$506,359 |
| West Virginia Trust Receivable | | 9,097 | — | — | 9,097 |
| Total | | \$516,733 | \$ 7,211 | \$ (8,488) | \$515,456 |

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

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

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

| | Less than 1 year | 1 year through 5 years | 6 years through 10 years | More than 10 years |
|------------------------------|---------------------------|------------------------------|-----------------------------------|-----------------------------|
| December 31, 2017 | | | | |
| U.S. governmental securities | \$ — | \$ 78 | \$ 54 | \$ — |
| Corporate debt securities | 76 | 801 | 125 | 11 |
| Total fixed maturities | \$ 76 | \$ 879 | \$ 179 | \$ 11 |

Temporary Declines in Fair Value

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

An aging of unrealized losses on the Partnership's investments in debt and equity securities within the merchandise trusts as of December 31, 2018 and 2017 is presented below (in thousands):

| | Less than 12 months | | 12 months or more | | Total | |
|--------------------------------|---------------------|------------|-------------------|------------|---------|------------|
| | Fair | Unrealized | Fair | Unrealized | Fair | Unrealized |
| December 31, 2018 | Value | Losses | Value | Losses | Value | Losses |
| Fixed maturities: | | | | | | |
| U.S. governmental securities | \$ — | \$ — | \$ 243 | \$ 147 | \$ 243 | \$ 147 |
| Corporate debt securities | 103 | 2 | 549 | 326 | 652 | 328 |
| Total fixed maturities | 103 | 2 | 792 | 473 | 895 | 475 |
| Mutual funds—debt securities | 46,005 | 2,011 | 1,195 | 634 | 47,200 | 2,645 |
| Mutual funds—equity securities | 131 | 18 | — | — | 131 | 18 |
| Other investment funds | 169,929 | 7,784 | — | — | 169,929 | 7,784 |

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| | | | | | | |
|-----------------------|-----------|----------|---------|----------|-----------|-----------|
| Equity securities | - | - | 597 | 213 | 597 | 213 |
| Other invested assets | - | 4 | 790 | 13 | 790 | 17 |
| Total | \$216,168 | \$ 9,819 | \$3,374 | \$ 1,333 | \$219,542 | \$ 11,152 |

| | Less than 12 months | | 12 months or more | | Total | |
|--------------------------------|---------------------|------------|-------------------|------------|-----------|------------|
| | Fair | Unrealized | Fair | Unrealized | Fair | Unrealized |
| December 31, 2017 | Value | Losses | Value | Losses | Value | Losses |
| Fixed maturities: | | | | | | |
| U.S. governmental securities | \$— | \$ — | \$112 | \$ 65 | \$112 | \$ 65 |
| Corporate debt securities | 150 | 50 | 361 | 192 | 511 | 242 |
| Total fixed maturities | 150 | 50 | 473 | 257 | 623 | 307 |
| Mutual funds—debt securities | 102,526 | 912 | 1,462 | 299 | 103,988 | 1,211 |
| Mutual funds—equity securities | 51,196 | 6,292 | — | — | 51,196 | 6,292 |
| Other investment funds | 48,140 | 401 | — | — | 48,140 | 401 |
| Equity securities | 2,906 | 255 | 390 | 22 | 3,296 | 277 |
| Total | \$204,918 | \$ 7,910 | \$2,325 | \$ 578 | \$207,243 | \$ 8,488 |

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

Other-Than-Temporary Impairment of Trust Assets

The Partnership assesses its merchandise trust assets for other-than-temporary declines in fair value on a quarterly basis. During the year ended December 31, 2018, the Partnership determined, based on its review, that there were 214 securities with an aggregate cost basis of approximately \$285.5 million and an aggregate fair value of approximately \$256.9 million, resulting in

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an impairment of \$28.6 million, with such impairment considered to be other-than-temporary due to credit indicators. Accordingly, the Partnership adjusted the cost basis of these assets to their current value and offset this change against deferred merchandise trust revenue. This adjustment to deferred revenue will be reflected within the Partnership's consolidated statement of operations in future periods as the underlying merchandise is delivered or the underlying service is performed. During the year ended December 31, 2017, the Partnership determined that there were no other than temporary impairments to the investment portfolio in the merchandise trust.

8. PERPETUAL CARE TRUSTS

At December 31, 2018 and 2017, the Partnership's perpetual care trusts consisted of investments in debt and equity marketable securities and cash equivalents, both directly as well as through mutual and investment funds.

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

A reconciliation of the Partnership's perpetual care trust activities for the years ended December 31, 2018 and 2017 is presented below (in thousands):

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

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

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

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

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

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

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

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

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

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

| December 31, 2017 | Less than 1 year | 1 year through 6 years through | More than 10 years |
|-------------------|------------------|--------------------------------|--------------------|
| | | | |

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| | 1 year | 5 years | 10 years | 10 years |
|------------------------------|-----------|----------|----------|-------------|
| U.S. governmental securities | \$— | \$ 263 | \$ 163 | \$ 38 |
| Corporate debt securities | 708 | 4,280 | 338 | 97 |
| Total fixed maturities | \$708 | \$ 4,543 | \$ 501 | \$ 135 |

Temporary Declines in Fair Value

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

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An aging of unrealized losses on the Partnership's investments in debt and equity securities within the perpetual care trusts as of December 31, 2018 and 2017 is presented below (in thousands):

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

| | Less than 12 months | | 12 months or more | | Total | |
|--------------------------------|---------------------|------------|-------------------|------------|-----------|------------|
| | Fair | Unrealized | Fair | Unrealized | Fair | Unrealized |
| December 31, 2017 | Value | Losses | Value | Losses | Value | Losses |
| Fixed maturities: | | | | | | |
| U.S. governmental securities | \$— | \$ — | \$399 | \$ 46 | \$399 | \$ 46 |
| Corporate debt securities | 994 | 20 | 2,271 | 171 | 3,265 | 191 |
| Total fixed maturities | 994 | 20 | 2,670 | 217 | 3,664 | 237 |
| Mutual funds—debt securities | 37,090 | 289 | 12,793 | 423 | 49,883 | 712 |
| Mutual funds—equity securities | 16,668 | 1,754 | 36 | 17 | 16,704 | 1,771 |
| Other investment funds | 42,606 | 533 | — | — | 42,606 | 533 |
| Equity securities | 9,516 | 1,510 | 112 | 60 | 9,628 | 1,570 |
| Total | \$106,874 | \$ 4,106 | \$15,611 | \$ 717 | \$122,485 | \$ 4,823 |

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

Other-Than-Temporary Impairment of Trust Assets

The Partnership assesses its perpetual care trust assets for other-than-temporary declines in fair value on a quarterly basis. During the year ended December 31, 2018, the Partnership determined that there were 176 securities with an aggregate cost basis of approximately \$181.4 million and an aggregate fair value of approximately \$163.3 million, resulting in an impairment of \$18.1 million, with such impairment considered to be other-than-temporary. Accordingly, the Partnership adjusted the cost basis of these assets to their current value and

offset this change against the liability for perpetual care trust corpus. During the year ended December 31, 2017, the Partnership determined that there were no other-than-temporary impairments to the investment portfolio in the perpetual care trusts.

9. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

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

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

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

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

Intangible Assets

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

The following table reflects the components of intangible assets at December 31, 2018 and 2017 (in thousands):

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

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

| | |
|------|---------|
| 2019 | \$1,398 |
| 2020 | \$1,278 |

| | |
|------|---------|
| 2021 | \$1,213 |
| 2022 | \$1,210 |
| 2023 | \$1,206 |

10. LONG-TERM DEBT

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

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

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Credit Facility

On August 4, 2016, our 100% owned subsidiary, StoneMor Operating LLC (the “Operating Company”) entered into a Credit Agreement (the “Original Credit Agreement”) among each of the Subsidiaries of the Operating Company (together with the Operating Company, “Borrowers”), the Lenders identified therein, Capital One, National Association (“Capital One”), as Administrative Agent, Issuing Bank and Swingline Lender, Citizens Bank N.A., as Syndication Agent, and TD Bank, N.A. and Raymond James Bank, N.A., as Co-Documentation Agents. In addition, on the same date, the Partnership, the Borrowers and Capital One, as Administrative Agent, entered into the Guaranty and Collateral Agreement (the “Guaranty Agreement,” and together with the Credit Agreement, “New Agreements”). Capitalized terms which are not defined in the following description of the New Agreements shall have the meaning assigned to such terms in the New Agreements, as amended.

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

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

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

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

Prior to the Sixth Amendment and Waiver, the Applicable Rate was determined based on the Consolidated Leverage Ratio of the Partnership and its Subsidiaries and ranged from 1.75% to 3.75% for Eurodollar Rate Loans and 0.75% to 2.75% for Base Rate Loans and between 0.30% and 0.50% for unused commitment fee. The Sixth Amendment and

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

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

- until June 12, 2018, the ratio of Consolidated Funded Indebtedness (net of unrestricted cash and cash equivalents in an amount of up to \$5.0 million) to Consolidated EBITDA, or the Consolidated Leverage Ratio, as of the last day of any fiscal quarter, commencing on September 30, 2016, determined for the period of four consecutive fiscal quarters ending on

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such date (the “Measurement Period”), to be greater than 4.25 to 1.00 for periods ended in 2018 and 4.00 to 1:00 for the period ended March 31, 2018;

• after June 12, 2018, the ratio of Consolidated Secured Funded Indebtedness to Consolidated EBITDA, or the Consolidated Secured Net Leverage Ratio, to be greater than 5.75:1.00 for the period ended June 30, 2018 and the period ended September 30, 2018, 5.50:1.00 for the period ended December 31, 2018, 5.00:1.00 for periods ending in fiscal 2019 and 4.50:1.00 for periods ending in fiscal 2020;

• until June 12, 2018, the ratio of Consolidated EBITDA to Consolidated Debt Service, or the Consolidated Debt Service Coverage Ratio, as of the last day of any fiscal quarter, commencing on September 30, 2016 to be less than 2.50 to 1.00 for any Measurement Period; and

• the ratio of Consolidated EBITDA (reduced, among other things, by the amount of maintenance and growth capital expenditures not financed with debt (other than Revolving Commitments), taxes and certain restricted payments including distributions paid in cash) to Consolidated Fixed Charges, or the Consolidated Fixed Charge Coverage Ratio, as of the last day of any fiscal quarter, commencing on December 31, 2017, to be less than 1:00 to 1:00 for any Measurement Period in 2018, 1:10 to 1:00 for any Measurement Period in 2019 and 1.20 to 1.00 for any Measurement Period in 2020.

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

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

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

June 30, 2018 and September 30, 2018.

Senior Notes

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

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

| Year | Percentage |
|---------------------|------------|
| 2018 | 101.969 % |
| 2019 and thereafter | 100.000 % |

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

The Senior Notes are jointly and severally guaranteed by certain of the Partnership's subsidiaries. The Indenture governing the Senior Notes contains covenants, including limitations of the Partnership's ability to incur additional indebtedness and liens, make certain dividends, distributions, redemptions or investments, enter into certain transactions with affiliates, make certain asset sales, and engage in certain mergers, consolidations or sales of all or substantially all of the Partnership's assets, among other items. As of December 31, 2018, the Partnership was in compliance with these covenants.

11. INCOME TAXES

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

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

The Partnership is not subject to U.S. federal and most state income taxes. The partners of the Partnership are liable for income tax in regard to their distributive share of the Partnership's taxable income. Such taxable income may vary substantially from net income reported in the accompanying consolidated financial statements. Certain corporate subsidiaries are subject to federal and state income tax. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and tax carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in

income in the period that includes the enactment date. The Partnership records a valuation allowance against its deferred tax assets if it deems that it is more likely than not that some portion or all of the recorded deferred tax assets will not be realizable in future periods.

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

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

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

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

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

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

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

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

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

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

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

At December 31, 2018, based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believed it was more likely than not that the Partnership will realize the benefits of these deductible differences. The amount of deferred tax assets considered realizable could be reduced in the future if estimates of future taxable income during the carryforward period are reduced.

In accordance with applicable accounting standards, the Partnership recognizes only the impact of income tax positions that, based upon their merits, are more likely than not to be sustained upon audit by a taxing authority. To evaluate its current tax positions in order to identify any material uncertain tax positions, the Partnership developed a policy of identifying and evaluating uncertain tax positions that considers support for each tax position, industry standards, tax return disclosures and schedules and the significance of each position. It is the Partnership's policy to recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense. At December 31, 2018 and 2017, the Partnership had no material uncertain tax positions.

The Partnership is not currently under examination by any federal or state jurisdictions. The federal statute of limitations and certain state statutes of limitations are open from 2013 forward.

12. DEFERRED REVENUES AND COSTS

The Partnership defers revenues and all direct costs associated with the sale of pre-need cemetery merchandise and services until the merchandise is delivered or the services are performed. The Partnership recognizes deferred

merchandise and service revenues as deferred revenues within long-term liabilities on its consolidated balance sheets. The Partnership recognizes deferred direct costs associated with pre-need cemetery merchandise and service revenues as deferred selling and obtaining costs within long-term assets on its consolidated balance sheets. The Partnership also defers the costs to obtain new pre-need cemetery and new prearranged funeral business as well as the investment earnings on the prearranged services and merchandise trusts.

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

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

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

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

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

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

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

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

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

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

13. LONG-TERM INCENTIVE AND RETIREMENT PLANS

2018 Long-Term Incentive Plan

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

common units plan to 2,000,000 common units. The Compensation and Nominating and Governance Committee of the Board (the "Compensation Committee") administers the 2018 LTIP.

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

Phantom Unit Awards

Phantom units represent contingent rights to receive a common unit or an amount of cash, or a combination of both, based upon the value of a common unit. Phantom units become payable, in cash or common units, at the Partnership's election, upon the separation of directors and executives from service or upon the occurrence of certain other events specified in the underlying agreements. Phantom units are subject to terms and conditions determined by the Compensation Committee. In tandem with phantom unit grants, the Compensation Committee may grant distribution equivalent rights ("DERs"), which are the right to receive an amount in cash or common units equal to the cash distributions made by the Partnership with respect to common unit

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

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

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

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

(2) Based on the closing price of the common units on December 31, 2018, the estimated intrinsic value of the outstanding unit awards was \$2.4 million at December 31, 2018.

Restricted Unit Awards

A restricted unit is a common unit that is subject to a restricted period established by the Compensation Committee, during which the award remains subject to forfeiture or is either not exercisable by or payable to the recipient of the award. The Compensation Committee determines the number of restricted units to be granted, the period of time when the restricted units are subject to vesting or forfeiture conditions, which may include accelerated vesting upon the achievement of certain performance goals, and such other terms and conditions the Compensation Committee may establish. Upon or as soon as reasonably practical following the vesting of a restricted unit, the participant is entitled to receive a certificate evidencing ownership of the unit or to have the restrictions removed from any certificate that may have previously been delivered so that the unit will be unrestricted. Recipients of restricted unit awards are entitled to unit distributions rights (“UDRs”), representing the right to receive distributions made with respect to the Partnership’s common units. Such UDRs may be payable in cash or as additional restricted units and may be subject to forfeiture and withheld until the restricted units to which they relate cease to be subject to forfeiture, all as determined by the Compensation Committee. All restricted units outstanding under the 2018 LTIP at December 31, 2018 provided for current payment of UDRs in cash at the time the related distributions were paid to the Partnership’s unitholders.

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

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

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

2004 Long-Term Incentive Plan

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

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

Phantom Unit Awards

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

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

(1) The weighted-average grant date fair value for the phantom unit awards on the date of grant was \$9.70 for the year ended December 31, 2017.

(2) Based on the closing price of the common units on December 31, 2018, the estimated intrinsic value of the outstanding restricted phantom units was \$0.5 million.

Unit Appreciation Rights Awards

UAR awards represent a right to receive an amount equal to the closing price of the Partnership's common units on the date preceding the exercise date less the exercise price of the UARs, to the extent the closing price of the Partnership's common units on the date preceding the exercise date is in excess of the exercise price. This amount is then divided by the closing price of the Partnership's common units on the date preceding the exercise date to determine the number of common units to be issued to the participant. UAR awards are subject to terms and conditions determined by the Compensation Committee, which may include vesting restrictions. UAR awards granted through December 31, 2018 have a five-year contractual term beginning on the grant date and vest ratably over a period of 48 months beginning on the grant date. All of the UARs outstanding at December 31, 2018 are vested. The following table sets forth the UAR award activity for the years ended December 31, 2018 and 2017, respectively:

| | Years Ended | |
|----------------------------------|--------------|---------|
| | December 31, | |
| | 2018 | 2017 |
| Outstanding, beginning of period | 58,646 | 66,355 |
| Granted | — | — |
| Exercised | — | — |
| Forfeited | (43,646) | (7,709) |
| Outstanding, end of period (1) | 15,000 | 58,646 |

| | | |
|----------------------------|--------|--------|
| Exercisable, end of period | 15,000 | 57,081 |
|----------------------------|--------|--------|

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

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

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

14.COMMITMENTS AND CONTINGENCIES

Legal

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

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

• **Anderson v. StoneMor Partners, LP, et al.**, No. 2:16-cv-6111, filed on November 21, 2016, in the United States District Court for the Eastern District of Pennsylvania. The plaintiffs in this case (as well as Klein v. StoneMor Partners, LP, et al., No. 2:16-cv-6275, filed in the United States District Court for the Eastern District of Pennsylvania on December 2, 2016, which has been consolidated with this case) brought an action on behalf of a putative class of the holders of Partnership units and allege that the Partnership made misrepresentations to investors in violation of Section 10(b) of the Securities Exchange Act of 1934 by, among other things and in general, failing to clearly disclose the use of proceeds from debt and equity offerings by making allegedly false or misleading statements concerning (a) the Partnership's strength or health in connection with a particular quarter's distribution announcement, (b) the connection between operations and distributions and (c) the Partnership's use of cash from equity offerings and its credit facility. Plaintiffs sought damages from the Partnership and certain of its officers and directors on behalf of the class of Partnership unitholders, as well as costs and attorneys' fees. Lead plaintiffs have been appointed in this case, and filed a Consolidated Amended Class Action Complaint on April 24, 2017. Defendants filed a motion to dismiss that Consolidated Amended Complaint on June 8, 2017. The motion was granted on October 31, 2017, and the court entered judgment dismissing the case on November 30, 2017. Plaintiffs filed a notice of appeal on December 29, 2017. Oral argument was held before the United States Court of Appeals for the Third Circuit on November 1, 2018. The Partnership expects the court to render a decision in the near future, but there can be no assurance as to when the court will issue its ruling.

• **Bunim v. Miller, et al.**, No. 2:17-cv-519-ER, pending in the United States District Court for the Eastern District of Pennsylvania, and filed on February 6, 2017. The plaintiff in this case brought, derivatively on behalf of the Partnership, claims that StoneMor GP's officers and directors aided and abetted in breaches of StoneMor GP's purported fiduciary duties by, among other things and in general, allegedly making misrepresentations through the use of non-GAAP accounting standards in its public filings, by allegedly failing to clearly disclose the use of proceeds from debt and equity offerings, and by allegedly approving unsustainable distributions. The plaintiff also claims that these actions and misrepresentations give rise to causes of action for gross mismanagement, unjust enrichment, and (in connection with a purportedly misleading proxy statement filed in 2014) violations of Section 14(a) of the Securities Exchange Act of 1934. The derivative plaintiff seeks an award of damages, attorneys' fees and costs in favor of the Partnership as nominal plaintiff, as well as general compliance and governance changes. This case has been stayed, by the agreement of the parties, pending final resolution of the motion to dismiss filed in the Anderson case, provided that either party may terminate the stay on 30 days' notice.

• **Muth v. StoneMor G.P. LLC, et al.**, December Term, 2016, No. 1196 and **Binder v. StoneMor G.P. LLC, et al.**, January Term, 2017, No. 4872, both pending in the Court of Common Pleas for Philadelphia County, Pennsylvania, and filed on December 20, 2016 and February 3, 2017, respectively. In these cases, the plaintiffs brought, derivatively on behalf of the Partnership, claims that StoneMor GP's officers and directors aided and abetted in breaches of StoneMor GP's purported fiduciary duties by, among other things and in general, allegedly making misrepresentations through the use of non-GAAP accounting standards in its public filings and by failing to clearly disclose the use of proceeds from debt and equity offerings, as well as approving unsustainable distributions. The plaintiffs also claim that these actions and misrepresentations give rise to a cause of action for unjust enrichment. The derivative plaintiffs seek an award of damages, attorneys' fees and costs in favor of the Partnership as nominal plaintiff, as well as alterations to the procedures for electing members to the board of StoneMor GP, and other compliance and governance changes. These cases have been consolidated and stayed, by the agreement of the parties, pending final resolution of the motion to dismiss filed in the Anderson case, provided that either party may terminate the stay on 30 days' notice.

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

The Partnership is party to other legal proceedings in the ordinary course of its business but does not expect the outcome of any proceedings, individually or in the aggregate, to have a material adverse effect on its financial position, results of operations or cash flows. The Partnership carries insurance with coverage and coverage limits that it believes to be customary in the cemetery and funeral home industry. Although there can be no assurance that such insurance will be sufficient to protect the Partnership against all contingencies, management believes that the insurance protection is reasonable in view of the nature and scope of the operations.

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Leases

In 2017, the Partnership entered into capital leases that had aggregate gross and net asset values of \$1.9 million and \$1.8 million, respectively, at December 31, 2018. The Partnership has noncancelable leases for equipment and office space that expire at various dates with initial terms ranging from one to twenty-four years. Certain leases provide the Partnership with the option to renew for additional periods. Where leases contain escalation clauses, rent abatements, and/or concessions, the Partnership applies them in the determination of straight-line rent expense over the lease term. Leasehold improvements are amortized over the shorter of the lease term or asset life, which may include renewal periods where the renewal is reasonably assured, and is included in the determination of straight-line rent expense. Rent expense for operating leases for the years ended December 31, 2018 and 2017 was \$4.9 million and \$4.5, respectively. The aggregate amount of remaining future minimum lease payments as of December 31, 2018 is as follows (in thousands):

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

Other

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

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

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

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Partnership's current assets and liabilities and customer receivables on its consolidated balance sheets are similar to cash basis financial instruments, and their estimated fair values approximate their carrying values due to their short-term nature and

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thus are categorized as Level 1. The Partnership's merchandise and perpetual care trusts consist of investments in debt and equity marketable securities and cash equivalents, are carried at fair value, and are considered either Level 1 or Level 2 (see Note 7 and Note 8). Where quoted prices are available in an active market, securities are classified as Level 1 investments pursuant to the fair value measurement hierarchy.

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

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

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

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

16. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

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

The financial information presented below reflects the Partnership's standalone accounts, the combined accounts of the subsidiary co-issuer, the combined accounts of the guarantor subsidiaries, the combined accounts of the non-guarantor subsidiaries, the consolidating adjustments and eliminations and the Partnership's consolidated accounts as of and for the years ended December 31, 2018 and 2017 For the purpose of the following financial information, the Partnership's investments in its subsidiaries and the guarantor subsidiaries' investments in their respective subsidiaries are presented in accordance with the equity method of accounting (in thousands):

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CONDENSED CONSOLIDATING BALANCE SHEETS

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

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CONDENSED CONSOLIDATING BALANCE SHEETS (continued)

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

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CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

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

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

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CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

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

| Year Ended December 31, 2017 | Subsidiary | | | Non- | | Consolidated |
|---|------------|--------|--------------|--------------|--------------|--------------|
| | Parent | Issuer | Subsidiaries | Subsidiaries | Eliminations | |
| Net cash provided by operating activities | \$24,545 | \$ 103 | \$ 28,488 | \$ 167 | \$ (38,327) | \$ 14,976 |
| Cash Flows From Investing Activities: | | | | | | |
| Cash paid for acquisitions and capital expenditures, net of proceeds from | | | | | | |
| divestitures and asset sales | — | (103) | (7,831) | (987) | — | (8,921) |
| Net cash used in investing activities | — | (103) | (7,831) | (987) | — | (8,921) |
| Cash Flows From Financing Activities: | | | | | | |
| Cash distributions | (24,545) | — | — | — | — | (24,545) |

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| | | | | | | |
|---|----------|-----|-----------|----------|--------|-----------|
| Payments to affiliates | — | — | (38,327) | — | 38,327 | — |
| Net borrowings and repayments of debt | — | — | 14,341 | — | — | 14,341 |
| Other financing activities | — | — | (1,600) | — | — | (1,600) |
| Net cash used in financing activities | (24,545) | — | (25,586) | — | 38,327 | (11,804) |
| Net decrease in cash and cash equivalents | — | — | (4,929) | (820) | — | (5,749) |
| Cash and cash equivalents—Beginning of period | — | — | 9,145 | 3,425 | — | 12,570 |
| Cash and cash equivalents—End of period | \$— | \$— | \$ 4,216 | \$ 2,605 | \$— | \$ 6,821 |

17. ISSUANCES OF LIMITED PARTNER UNITS

On November 19, 2015, the Partnership entered into an equity distribution agreement ("ATM Equity Program") with a group of banks (the "Agents") whereby it may sell, from time to time, common units representing limited partner interests having an aggregate offering price of up to \$100,000,000. No common units were issued under the ATM Equity Program during the year ended December 31, 2018 or 2017.

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

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18. SEGMENT INFORMATION

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

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

| | December 31, | |
|----------------------------|--------------|-------------|
| | 2018 | 2017 |
| BALANCE SHEET DATA: | | |
| Assets: | | |
| Cemetery Operations | \$1,508,667 | \$1,594,091 |
| Funeral Home Operations | 136,064 | 152,934 |

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| | | |
|-------------------------|-------------|-------------|
| Corporate | 24,370 | 9,057 |
| Total assets | \$1,669,101 | \$1,756,082 |
| Goodwill: | | |
| Cemetery Operations | \$24,862 | \$24,862 |
| Funeral Home Operations | — | — |
| Total goodwill | \$24,862 | \$24,862 |

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19. SUBSEQUENT EVENTS

Credit Agreements

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

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

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

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

- reduce the Tranche A Revolving Credit Availability Period to end on the Eighth Amendment Effective Date, which precludes borrowings under the Tranche A Revolving Credit Facility after such date;
- reduce the amount of the Letter of Credit Sublimit from \$15.0 million to \$9.4 million, plus the principal amount of loans under the Tranche A Revolving Credit Facility that become subject to optional prepayment after the Eighth

Amendment Effective Date, and permit the issuance of letters of credit under the Tranche A Revolving Credit Facility after the Eight Amendment Effective Date;

• modify the Tranche A Revolving Credit Facility Maturity Date to be the earlier of (i) May 1, 2020 and (ii) the date that is six months prior to the earliest scheduled maturity date of any outstanding Permitted Unsecured Indebtedness;

• redetermine the Applicable Rate to be 4.50% for Eurodollar Rate Loans and 3.50% for Base Rate Loans from the Eighth Amendment Effective Date to February 28, 2019; 4.75% and 3.75%, respectively, from March 1, 2019 to March 31, 2019; 5.50% and 4.50%, respectively, from April 1, 2019 to April 30, 2019; 5.75% and 4.75%, respectively, from May 1, 2019 to May 31, 2019; and 6.00% and 5.00%, respectively, from June 1, 2019;

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•discontinue the accrual of the commitment fee after the Eighth Amendment Effective Date;
•provide for ticking fees assessed on the amount of outstanding loans made under the Tranche A Revolving Credit Facility (the “Tranche A Revolving Loans”) and payable to the Tranche A Revolving Lenders (i) in-kind, by increasing the outstanding principal amount of such Lender’s Tranche A Revolving Loans (“PIK”) or (ii) in cash, in the following amounts and on the following dates:

- o 3.00% on July 1, 2019, of which (x) 2.00% shall PIK and (y) 1.00% shall be payable in cash, unless the Required Lenders agree to PIK;
- o 1.00% on August 1, 2019, payable in cash, unless the Required Lenders agree to PIK;

o 1.00% on September 1, 2019, payable in cash, unless the Required Lenders agree to PIK; and

o 1.00% on October 1, 2019, PIK;

•amend the definition of “Consolidated Net Income” for purposes of calculating the Consolidated EBITDA to exclude, for the time period from January 1, 2018 to January 1, 2019, (i) any non-recurring charges for adjustments made to cost of goods sold for merchandise inventory impairment related to excess and damaged inventory of the Partnership or a subsidiary of the Partnership (and any reversal thereof) incurred during the Fiscal Year ended December 31, 2018 in an aggregate amount not to exceed \$5.0 million and (ii) any non-recurring charges for the establishment of liability reserves required for future obligations of the Partnership or a Subsidiary of the Partnership to deliver allocated merchandise to customers (and any reversal thereof) incurred during the Fiscal Year ended December 2018 in an aggregate amount not to exceed \$15.0 million;

•amend the definition of “Consolidated EBITDA” for purposes of calculating the financial covenant to (i) adjust the limit on add backs for non-recurring cash expenses, losses, costs and charges to \$17.0 million for each Measurement Period ended on or after April 1, 2018 and (ii) remove a separate add back for non-recurring cash expenses, costs and charges relating to “non-ordinary course of business” legal matters;

•remove the Consolidated Secured Net Leverage Ratio and Consolidated Fixed Charge Coverage Ratio and replace them with a covenant requiring the Partnership to ensure that its Consolidated EBITDA is not less than the following amounts for the four quarters ending on the following dates: (i) \$18.0 million for the period ended March 31, 2018; (ii) \$13.0 million for the period ended June 30, 2018; (iii) \$2.5 million for the period ended September 30, 2018; (iv) (\$3.0 million) for the period ended December 31, 2018; (v) \$1.0 million for the period ending March 31, 2019; (vi) \$3.5 million for the period ending June 30, 2019; (vii) \$8.0 million for the period ending September 30, 2019; (viii) \$8.25 million for the period ending December 31, 2019; and (ix) \$9.25 million for the period ending March 31, 2020;

•provide for mandatory prepayments in an amount equal to 100% of the net cash proceeds from (i) sale/leaseback transactions and certain other permitted dispositions of assets and (ii) incurrence of certain indebtedness (including

any indebtedness not permitted under the Amended Credit Agreement) in an amount exceeding \$5.0 million;

extend the deadline for filing the Partnership's Form 10-Q for the period ended March 31, 2018 to the later of February 6, 2019 and the date that is two Business Days following the Eighth Amendment Effective Date and for the periods ended June 30, 2018 and September 30, 2018 to February 15, 2019;

add a covenant requiring the Partnership and the Administrative Borrower to use their reasonable best efforts to consummate the transactions contemplated under the Merger Agreement (as defined below) by May 15, 2019 (the "C-Corporation Conversion"); modify the definition of "Change in Control" and several covenants, including but not limited to reporting covenants and covenants restricting fundamental changes, dispositions, investments, acquisitions and transactions with affiliates to permit the C-Corporation Conversion and to permit the Partnership to be a wholly-owned subsidiary of StoneMor Inc. (as defined below);

add a covenant requiring the Administrative Borrower to engage Houlihan Lokey or any other acceptable financial advisor by no later than the second business day after the Eighth Amendment Effective Date to advise it in the arrangement of the refinancing in full of the obligations with respect to the Tranche A Revolving Credit Facility (such refinancing, the "Refinancing");

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

amend other provisions of the Original Amended Agreement in connection with the foregoing.

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

Loan Agreement with a Related Party

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

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

January 2019 Restructuring

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

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

Amendment and Restatement of 2018 LTIP

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

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

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

20. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following summarizes certain quarterly results of operations:

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

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

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

Net income (loss) per limited partner unit is computed independently for each quarter and the full year based upon respective average units outstanding. Therefore, the sum of the quarterly per unit amounts may not equal the annual per share amounts.

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21. SUPPLEMENTAL CONSOLIDATED CASH FLOW INFORMATION

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

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

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ITEM 9.CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On November 29, 2018, the Audit Committee approved the engagement of Grant Thornton LLP as the Partnership's independent registered public accounting firm for the fiscal year ending December 31, 2018, effective immediately. On the same day, the Committee dismissed Deloitte & Touche LLP as the Partnership's independent registered public accounting firm, effective immediately.

In the fiscal years ended December 31, 2016 and 2017 and in the subsequent interim period through November 29, 2018, there were no (a) disagreements between the Partnership and Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Deloitte & Touche LLP, would have caused Deloitte & Touche LLP to make reference to the subject matter of the disagreement in connection with its audit report on the consolidated financial statements for such years.

ITEM 9A.CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Partnership maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Our management, including the CEO and CFO, evaluated the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of December 31, 2018. Based on such evaluation, our CEO and CFO concluded the disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting described below.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Management's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Partnership; (ii) provide reasonable assurance that transactions are recorded as necessary to permit

preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Partnership are being made only in accordance with authorizations of management and directors of the Partnership; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Partnership's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Partnership's annual or interim financial statements will not be prevented or detected on a timely basis.

Management previously identified and reported material weaknesses in its Annual Report on Form 10-K for the Year Ended December 31, 2017 filed on July 17, 2018. We conducted an evaluation of the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2018 based on the criteria set forth in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, we concluded that the Partnership did not maintain effective internal control over financial reporting as of December 31, 2018 as a result of the material weaknesses described below:

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A. Control environment, control activities and monitoring:

The Partnership did not design and maintain effective internal control over financial reporting related to control environment, control activities and monitoring based on the criteria established in the COSO Framework including more specifically:

❖ Management did not implement effective oversight to support deployment of control activities due to (a) failure to establish clear accountability for the performance of internal control over financial reporting responsibilities in certain areas important to financial reporting and (b) failure to prioritize and implement related corrective actions in a timely manner.

❖ Management did not maintain effective controls over sales contract origination occurring at its site locations. Specifically, there was no subsequent review of contract entry and no approved master pricing listing. In addition there was no oversight monitoring at its corporate office related to cancelations and timely and accurate servicing for correct revenue recognition.

❖ Management did not maintain effective controls over the accuracy and valuation of its merchandise inventory allocated to pre-need contracts. Specifically, the Partnership did not have effective controls over the assessment of condition and impairment of allocated and un-allocated merchandise inventory due to excessive or deterioration damage.

B. Establishment and review of certain accounting policies:

The Partnership's controls applicable to establishment, periodic review for ongoing relevance and consistent application of material accounting policies in conformity with GAAP including (i) revenue recognition and (ii) insurance-related assets and liabilities. More specifically:

❖ Management did not have effective segregation of duties, review and monitoring controls over revenue recognition with respect to the ASC 606 transition adjustment and subsequent calculations at a sufficient level of precision to timely detect misstatements in the related income statement and balance sheet account.

❖ Management did not maintain effective completeness and accuracy controls at a level of precision to timely detect misstatements related to the insurance related assets and liabilities.

C. Reconciliation of certain general ledger accounts to supporting details:

The Partnership's controls over the reconciliation of amounts recorded in the general ledger to relevant supporting detail for "Cemetery property" and "Deferred revenues" on the consolidated balance sheets were not designed appropriately and thus failed to operate effectively. Management has identified that the specified general ledger account balances were not always reconciled to supporting documentation.

D. Accurate and timely relief of deferred revenues and corresponding recognition of income statement impacts:

The Partnership's internal controls designed to prevent a material misstatement in the recognized amount of "Deferred revenues" as of the balance sheet date were not designed appropriately. Specifically, the Partnership concluded that it did not design effective controls that would lead to a timely identification of a material error in "Deferred revenues" due to failure to accurately and timely relieve the liability when the service was performed or merchandise was delivered. Further, the Partnership's review controls designed to detect such errors did not operate at the appropriate level of precision to identify such error. More specifically:

❖ Management did not have effective segregation of duties over the preparation and subsequent review of its deferred revenue reconciliation process at a sufficient level of precision to timely detect potential misstatements of the related income statement and balance sheet accounts.

Management did not have effective review and monitoring controls over the revenue, cost of goods sold and deferred balances of pre-acquisition contracts at a sufficient level of precision to timely detect potential misstatements of the related income statement and balance sheet accounts.

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Management did not have effective review and monitoring controls over the results of ongoing deferred revenue testing at a sufficient level of precision to detect potential misstatements of the related balance sheet accounts. Our management communicated the results of its assessment to the Audit Committee of the Board of Directors of our General Partner. Our independent registered public accounting firm, Grant Thornton LLP, has expressed an adverse opinion on our internal control over financial reporting as of December 31, 2018 in the audit report that appears below.

REMEDIATION EFFORTS

Management is committed to the remediation of the material weaknesses described above, as well as the continued improvement of our internal control over financial reporting. We have identified and implemented, and continue to implement, the actions described below to remediate the underlying causes of the control deficiencies that gave rise to the material weaknesses. As we continue our evaluation and improve our internal control over financial reporting, management may modify the actions described below or identify and take additional measures to address control deficiencies. Until the remediation efforts described below, including any additional measures management identifies as necessary, are completed, the material weaknesses described above will continue to exist.

A. To address the material weakness in control environment, control activities and monitoring, the Partnership has completed, or is in the process of the following:

- Performed a comprehensive review of current procedures to ensure compliance with the Partnership's accounting policies and GAAP;

- Enhanced the existing and developed more appropriate monitoring controls to provide reasonable assurance that the Partnership maintains sufficient oversight of the performance of internal control over financial reporting responsibilities;

- Reassessing its existing framework used to identify and implement corrective actions on a timely, prioritized basis with defined accountability;

- Enhancing the controls over sales contract origination occurring at site locations and re-training field personnel and developing additional oversight procedures at the corporate location to monitor compliance with approved policies and procedures and trust requirements; and

- Enhancing the accuracy and valuation controls of its merchandise inventory and updating its inventory management system including a more thorough review of inventory utilization.

Management will continue to review such actions and progress with the Audit Committee. The remediation of this weakness in the control environment will contribute to the remediation of each of the additional material weaknesses described above.

B. To address the material weakness associated with the establishment and periodic review of certain accounting policies for compliance with applicable GAAP that gave rise to potentially inaccurate or untimely revenue recognition and accounting for insurance-related assets and liabilities, management is performing a comprehensive review of the Partnership's existing accounting policies to provide reasonable assurance of compliance with GAAP. More specifically:

- Management has implemented controls over the input and output data related to the completeness and accuracy of the calculation provided by the actuary for the related assets and liabilities; and

- Management is in process of enhancing its controls over the segregation of duties, review and monitoring controls over the ASC 606 calculations. In addition, management is in process of automating these calculations which are currently performed manually. Once completed the results will be subject to additional review and monitoring

controls.

C. To address the material weakness associated with controls over the reconciliation of amounts in certain general ledger accounts to relevant supporting details, management is in the process of reassessing its existing policies and designing

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procedures to govern the completion and review of business unit level account reconciliations. This includes automation of processes and designing and implementing enhanced controls over the preparation, analysis and review of significant accounts that operate at the appropriate level of precision to prevent or detect a material misstatement of such balances at period end. Management is refining its monitoring controls over the maintenance of cemetery property records to address the associated material weakness. Management is also refining system controls to assist with timely and accurate recognition of revenue and related costs and detective controls to appropriately monitor and review the recording of transactions.

D. To address the material weakness regarding accurate and timely relief of deferred revenue and corresponding income statement impacts, the Partnership has reassessed the existing monitoring controls designed to identify material misstatements within "Deferred revenues." The Partnership continues to refine system controls and introduce additional controls operating at an appropriately low level of detail intended to identify material misstatements in "Deferred revenues," More specifically:

Management is in process of cross-training additional qualified accounting personnel to prepare the deferred revenue reconciliation, independent of the reviewer who is a member of the senior management team.

Management is in process of completing a special project to identify and record pre-acquisition contracts. Management has also designed review and monitoring controls that will be implemented upon the completion of this project.

Management has implemented site level testing as well as oversight testing at the corporate level. An error rate is being developed and utilized to ensure the related balance sheet accounts are properly stated. The error rate is being developed and subsequently will be reviewed by accounting senior management prior to utilization.

Management updated the Contract Servicing Policy and delivered training to all field General Manager and Administration personnel responsible for servicing activities.

Management delivered training to financial and non-financial personnel and the Audit Committee specific to ASC 606 – Revenue from Contracts with Customers; Contract Servicing Policy and Training

E. To address the material weakness disclosed in its 2017 Annual Report on Form 10-K associated with the review of financial statement disclosures regarding the consolidated statements of cash flows and Note 4 and Note 16, the Partnership has designed and implemented additional controls over the preparation and review of the consolidated statements of cash flows and Note 4 and Note 16 at a detailed level that ensures accurate and proper presentation of the financial statement disclosures in accordance with GAAP.

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. Accordingly, 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 internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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Our remediation efforts were ongoing during our last fiscal quarter ended December 31, 2018. Other than the remediation steps described above, there were no other material changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) and 15d-15(d) of the Exchange Act during the quarter ended December 31, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of StoneMor Partners L.P. (a Delaware Partnership) and subsidiaries (the "Partnership") as of December 31, 2018, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, because of the effect of the material weaknesses described in the following paragraphs on the achievement of the objectives of the control criteria, the Partnership has not maintained effective internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 Internal Control—Integrated Framework issued by COSO.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Partnership's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment.

- A. The Partnership did not design and maintain effective internal control over financial reporting related to control environment, control activities and monitoring, including competency of resources and deployment and oversight of control activities.
- B. The Partnership's controls applicable to establishment, periodic review for ongoing relevance and consistent application of certain material accounting policies in conformity with accounting principles generally accepted in the United States of America ("US GAAP") including revenue recognition and insurance-related assets and liabilities were not appropriately designed.
- C. The Partnership's controls over the reconciliation of certain amounts recorded in the general ledger to relevant supporting details for "Cemetery property" and "Deferred revenues" on the consolidated balance sheet were not designed appropriately or failed to operate effectively.
- D. The Partnership's internal controls designed to prevent a material misstatement in the accurate and timely relief of "Deferred revenues" as of the balance sheet date were not designed appropriately.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Partnership as of and for the year ended December 31, 2018. The material weaknesses identified above were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report dated April 2, 2019, which expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying

Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that

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(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Grant Thornton LLP

Philadelphia, Pennsylvania

April 2, 2019

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ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE
PARTNERSHIP STRUCTURE AND MANAGEMENT

StoneMor GP, as our general partner, manages our operations and activities. Unitholders are not entitled to participate, directly or indirectly, in our management or operations.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business. Unitholders do not have the right to elect our general partner or its directors on an annual or other continuing basis. Our general partner may not be removed except by the vote of the holders of at least 66 2/3% of the outstanding common units, including units owned by our general partner and its affiliates. Robert B. Hellman, Jr. is the sole Trustee (the "Trustee") under a Trust (the "Trust") established pursuant to a Voting and Investment Trust Agreement by and between American Cemeteries Infrastructure Investors, LLC, a Delaware limited liability company ("ACII"), and Mr. Hellman, as Trustee, dated as of May 9, 2014, for the pecuniary benefit of ACII. In his capacity as Trustee, Mr. Hellman has exclusive voting and investment power over approximately 86.63% of membership interests in StoneMor GP Holdings LLC, a Delaware limited liability company ("GP Holdings"), which is the sole member of StoneMor GP. ACII is an affiliate of American Infrastructure Funds, L.L.C., an investment adviser registered with the SEC. Mr. Hellman, a director of our general partner, is a managing member of American Infrastructure Funds, L.L.C. and he is affiliated with (i) entities that own membership interests in ACII and (ii) AIM Universal Holdings, LLC which is the manager of ACII. Jonathan A. Contos, who served as a director of our general partner until February 9, 2018, was a Principal of American Infrastructure Funds, L.L.C. Robert A. Sick, a director of our general partner, has been an Operating Director of American Infrastructure Funds, L.L.C. since 2015. In addition to the Trust's holdings of GP Holdings, Lawrence Miller, Vice Chairman of the Board of Directors of StoneMor GP until October 12, 2018 (6.53%, inclusive of family partnership holdings), William Shane, a former director of StoneMor GP (3.04%, inclusive of family partnership holdings), Allen Freedman, a former director of StoneMor GP (0.06%), Martin Lautman, a director of StoneMor GP (0.24%, along with Mr. Lautman's spouse) and Michael Stache and Robert Stache, retired executive officers of StoneMor GP (each owning 1.8% through trusts with their respective spouses), collectively hold approximately 13.37% of membership interests in GP Holdings.

Pursuant to the Second Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated May 21, 2014, as amended (the "Second Amended and Restated LLC Agreement"), GP Holdings, as the sole member of StoneMor GP, is entitled to elect all directors of StoneMor GP.

DIRECTORS AND EXECUTIVE OFFICERS OF STONEMOR GP LLC

The following table shows information regarding the directors and executive officers of our general partner as of March 15, 2019. Each director is elected for one-year terms until his or her successor is duly elected and qualified or until his or her earlier resignation or removal.

| Name | Age | Positions with StoneMor GP LLC |
|-----------------------|-----|--|
| Joseph M. Redling (1) | 60 | President, Chief Executive Officer and Director |
| Mark L. Miller | 58 | Chief Financial Officer and Senior Vice President |
| James S. Ford | 64 | Chief Operating Officer and Senior Vice President |
| Austin K. So | 45 | General Counsel, Chief Legal Officer and Secretary |

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|--------------------------|----|------------------------------------|
| Robert B. Hellman, Jr. | 59 | Chairman of the Board of Directors |
| Martin R. Lautman, Ph.D. | 72 | Director |
| Stephen J. Negrotti | 67 | Director |
| Leo J. Pound (1) | 64 | Director |
| Robert A. Sick | 59 | Director |
| Fenton R. Talbott | 77 | Director |
| Patricia D. Wellenbach | 61 | Director |

(1) Mr. Redling has served as President, Chief Executive Officer and a Member of the Board of Directors since July 18, 2018. R. Paul Grady served as President, Chief Executive Officer and a Member of the Board of Directors from May 17, 2017 until March 30, 2018. Leo J. Pound served as Interim Chief Executive Officer from March 30, 2018 until July 18, 2018.

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EXECUTIVE OFFICERS AND BOARD MEMBERS

A brief biography for each executive officer who serves as a director of our general partner is included below.

Joseph M. Redling has served as President and Chief Executive Officer of our general partner since July 18, 2018. Prior to his appointment, Mr. Redling served as the Chief Operating Officer of Vonage Holdings, Inc., a billion-dollar communications company, where he managed the day to day operations of the company's consumer and B2B businesses. Prior to Chief Operating Officer position he was President of Consumer Services for Vonage overseeing its large consumer business unit. Prior to that, Mr. Redling was President and Chief Executive Officer of Nutrisystem, Inc., a leader in the weight-loss industry. His experience also includes over a decade with Time Warner and AOL where he held a number of senior executive level roles including Chief Marketing Officer, President of Paid Services and Customer Management, President of the AOL Access Business and CEO of AOL International.

ADDITIONAL DIRECTORS

A brief biography for each non-executive director of our general partner is included below.

Robert B. Hellman, Jr., has served on the Board of Directors of our general partner since our formation in April 2004. Mr. Hellman co-founded American Infrastructure Funds ("AIM") in 2006 and has been an infrastructure and private real assets investor for over 25 years. He has been an investor and director in a wide variety of industries, including agriculture, building materials, forest products, energy production and distribution, death care, entertainment, health and fitness, and real estate. On behalf of AIM, he currently holds three patents on the application of the design of innovative financial security structures. Mr. Hellman began his private equity career at McCown DeLeeuw in 1987, and previously was a consultant with Bain & Company, where he was one of the founding members of Bain's Tokyo office. Mr. Hellman serves on the board of a number of private companies. He is also a member of the Board of the Stanford Institute for Economic Policy Research (SIEPR) and President of Stanford's DAPER Investment Fund. He received an M.B.A. from the Harvard Business School with Baker Scholar honors, an M.S. in economics from the London School of Economics, and a B.A. in economics from Stanford University. Mr. Hellman brings to the Board extensive investment management and capital raising experience, combined with excellent leadership and strategic skills.

Martin R. Lautman, Ph.D., has served on the Board of Directors of our general partner since our formation in April 2004 and served as a director of Cornerstone from its formation in March 1999 through April 2004. Dr. Lautman is currently the Managing Director of Marketing Channels, Inc., a company that provides marketing and marketing research consulting services to the information industry and a partner in Musketeer Capital, a venture capital firm investing in early stage and growth stage companies. From 2005 to 2008, he served as the President and CEO of GfK Custom Research North America, a division of a public worldwide marketing services company headquartered in Nuremberg, Germany. Prior to that, he was the Senior Managing Director of ARBOR a U.S.-based marketing research agency, where he held several positions including Senior Managing Director. He has also served with Numex Corporation, a public machine tool manufacturing company, as President from 1987 to 1990 and as a director from 1991 to 1997. From 1986 to 2000, Dr. Lautman served on the Board of Advisors of Bachow Inc., a private equity firm

specializing in high-tech companies and software. He is currently a board member of Require, a title release tracking company and an advisor to Phoenix International, a market research firm and three early stage fund and growth stage funds. Dr. Lautman is also the former Chairman of the Board of Penn Hillel where he served for four years and is now on the board of Hillel International. Dr. Lautman has lectured on marketing in The Cornell Hotel School and The Columbia University School of Business and has taught courses in both the Executive MBA and MBA programs in marketing management and marketing strategy in The Smeal School of Business of The Pennsylvania State University. He currently teaches Entrepreneurial Marketing in both the undergraduate and MBA programs in The Wharton School of Business of The University of Pennsylvania. Dr. Lautman brings to the Board marketing, sales and strategic planning expertise and experience with corporate compensation matters.

Stephen J. Negrotti has served on the Board of Directors of our general partner since April 2018. Mr. Negrotti was most recently President and CEO of Turner Investments Inc., an investment manager, from April 2014 until October 2015. He also served as a member of the Board of Directors and President of the Turner Family of Mutual Funds during that time. Mr. Negrotti has been self-employed as an independent certified public accountant and a consultant since October 2015 and was also employed in that capacity from January 2012 until joining Turner. Mr. Negrotti has over 40 years of finance and administration experience. He joined Ernst & Young in Philadelphia in 1976 and was a Partner at Ernst & Young LLP from 1986 through 2011, coordinating services to financial industry clients and acting as an advisor in Ernst & Young's Global Private Equity practice in New York. Mr. Negrotti holds an MBA in Finance from Drexel University and a Bachelor's degree in Accounting from The Pennsylvania State University. Mr. Negrotti brings to the Board significant experience in financial oversight and accounting matters

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Leo J. Pound has served on the Board of Directors of our general partner since August 2014. He also served as Interim Chief Executive Officer of our general partner from March 30, 2018 until July 18, 2018, as Acting Chief Operating Officer of our general partner from April 16, 2017 until September 29, 2017 and as Interim Strategic Officer from July 19, 2018 until October 31, 2018. Mr. Pound has been a Principal of Pound Consulting Inc., which provides management-consulting services to both public and private enterprises, since July 2000. From February 1999 to July 2000, Mr. Pound was Chief Financial Officer of Marble Crafters, a stone importer and fabricator. From October 1995 to February 1999, he was Chief Financial Officer of Jos. H. Stomel & Sons, a wholesale distributor. Since 2013, Mr. Pound has served as the Chairman of the Audit Committee of Alliance Holdings, a private equity firm. From 2012 through December 2015, Mr. Pound was a director at Turner Long/Short Equity Offshore, an investment partnership managed by Turner Investments, Inc. He also serves as a director and the Chairman of the Audit Committee and a member of the Compensation Committee and Nominating Committee of Nixon Uniform Service & Medical Wear, a textile rental company. In December 2015, Mr. Pound joined the Board of Directors of Empire Petroleum Partners, a private wholesale fuel distributor, where he also serves as the Chairman of the Audit Committee. Mr. Pound previously served on the Board of Directors of NCO Group, Inc., an international provider of business process outsourcing services, from 2000 until 2011, and chaired its Audit Committee and was a member of its Nominating and Corporate Governance Committee. Mr. Pound is a Certified Public Accountant and a member of the American and Pennsylvania Institutes of Certified Public Accountants. Mr. Pound received a degree in Business Administration from LaSalle University where he majored in Accounting. Mr. Pound brings to the Board of audit practices and financial controls and systems and financial leadership experience.

Robert A. Sick has served on the Board of Directors of our general partner since May 2017. Mr. Sick has been an Operating Director at American Infrastructure MLP Funds since January 2015. Prior to that, Mr. Sick was the sole member and Managing Director of White Oak Capital, LLC, which he formed in April 2004, through which he has served as a transition chief executive officer, board member and senior adviser to more than 30 middle market companies, helping to lead them through management transitions, significant growth initiatives and other business transformations. From December 2013 through December 2014, he served as Chief Executive Officer of AutoNet Mobile Inc., a private company that makes wireless devices for use in moving vehicles. He has also served as a director of Safe Harbor Marinas LLC (September 2016 to present), Denbeste Water Solutions LLC (2014), Arrow Holdings LLC (June 2015 to present), Jacksonville Sound & Communications, Inc. (2015 to present), and Granite Holdings LLC (2015 to present), all of which are private companies. Mr. Sick brings to the Board significant executive leadership experience and experience in driving various strategic initiatives and creating long term value.

Fenton R. "Pete" Talbott has served on the Board of Directors of our general partner since our formation in April 2004 and had served as Chairman of the Board of Cornerstone from April 2000 through April 2004. Mr. Talbott served as the President of Talbott Advisors, Inc., a consulting firm, from January 2006 through January 2010. Mr. Talbott previously served as an operating affiliate of McCown De Leeuw & Co., LLC from November 1999 to December 2004 and currently serves as an operating affiliate of American Infrastructure Funds, L.L.C. Additionally, he served as the Chairman of the Board of Telespectrum International, an international telemarketing and market-research company, from August 2000 to January 2001. Prior to 1999, Mr. Talbott held various executive positions with Comerica Bank, American Express Corporation, Bank of America, The First Boston Corp., CitiCorp., and other entities. He currently serves as a board member of the Preventative Medicine Research Institute, Kansas University Board of Trustees and Landmark Dividend, LLC. Mr. Talbott brings to the Board extensive operational and consulting expertise, experience with compensation matters and his significant professional contact base.

Patricia D. Wellenbach has served on the Board of Directors of our general partner since April 2018. She has been President and CEO of Philadelphia's Please Touch Museum since November 2015. In such capacity, Ms. Wellenbach is responsible for management and oversight of one of the top 10 children's museums in the country. The Museum

employs 100 people and has a budget of \$10.0 million. In addition, Ms. Wellenbach works closely with the Museum's Board of Trustees and is a steward of a 100,000 square foot building on the National Historic Register. The building is owned by the City of Philadelphia and as such Ms. Wellenbach works closely with city leaders on the preservation of this historic landmark building. From February 2013 to October 2015, Ms. Wellenbach was President and CEO of Green Tree School and Services, a non-residential school and behavioral health clinic for children with autism and severe emotional disturbances. In such capacity, Ms. Wellenbach oversaw a budget of \$9.0 million, managed the construction of a new facility and negotiated contracts with two unions. The complexity of the medical and educational needs of the children required Ms. Wellenbach to have experience with a high level of regulatory and compliance issues. From October 2007 to January 2013, Ms. Wellenbach advised companies as President and CEO of Sandcastle Strategy Group, LLC. Ms. Wellenbach currently serves on the Boards of Thomas Jefferson University (from July 2015) and the Philadelphia Mayor's Cultural Advisory Board (from September 2016). Ms. Wellenbach previously was a member of the Board of Directors at the Reinvestment Fund, a CDFI fund that makes community impact investments in areas of work force development, charter schools, food access and other community needs, from March 2010 until December 2017. Ms. Wellenbach is also a member of the National Association of Corporate Directors, Women Corporate Directors, the Forum of Executive Women and the Pennsylvania Women's Forum. Ms. Wellenbach holds a degree from the Boston College School of Nursing and a certificate from the UCLA Anderson School of Management's Healthcare Executive Program. Ms. Wellenbach brings to the Board significant experience in managing complex businesses in transition and restructuring, merger and acquisition experience both as a chief executive officer and as a board member, and experience with risk, regulatory and compliance issues

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EXECUTIVE OFFICERS (NON-BOARD MEMBERS)

A brief biography for each executive officer who does not serve as a director of our general partner is included below.

Mark L. Miller has served as Chief Financial Officer and Senior Vice President of our general partner since May 2017 and was a consultant to our general partner from February 2017 until May 2017. From October 2016 to February 2017, Mr. Miller provided consulting services to a distributor of flooring material. Mr. Miller was on sabbatical from full-time work endeavors from July 2015 to September 2016. From July 2012 through March 2015, Mr. Miller was Chief Financial Officer and Treasurer of CrossAmerica GP, LLC, the general partner of CrossAmerica Partners LP (formerly Lehigh Gas Partners LP), a NYSE-listed limited partnership and a wholesale and retail distributor of motor fuel and a leasee and subleasee of motor fuel retail distribution stores, convenience stores and gas stations. Thereafter, he assisted CrossAmerica for a transition period from March 2015 to June 2015. Prior to his experience with Cross America, Mr. Miller was Vice President of Acquisitions at Dunne Manning Inc. (formerly Lehigh Gas Corporation), where he managed acquisitions, divestitures, acquisition financing and working capital requirements since 2004. Prior to joining Dunne Manning Inc., Mr. Miller was the Chief Financial Officer for several middle market companies in various industries. Mr. Miller also spent six years with Deloitte & Touche LLP. Mr. Miller holds a Bachelor of Science degree in Accounting from Northeastern University and was a Certified Public Accountant.

James S. Ford has served as Chief Operating Officer and Senior Vice President of our general partner since March 1, 2018. Prior to joining StoneMor, Mr. Ford had most recently served as Senior Vice President and Chief Customer Officer of Foundation Partners Group, which owns and operates funeral homes and cemeteries in the United States, where he was employed from September 2014 through January 2018. In such capacity, Mr. Ford was responsible for all operations, sales and marketing activities of Foundation Partners Group. He previously held the position of Vice President, Business Optimization, at Foundation Partners Group where he led efforts to formulate and implement business strategies that drove organizational growth and expansion. From June 2004 to November 2013, Mr. Ford was Senior Vice President and Chief Operating Officer of Cremation Services with the Neptune Society in Plantation, Florida, a provider of cremation services. In such capacity, Mr. Ford's responsibilities included oversight of Neptune Society's operations and sales. Before his employment with Neptune Society, Mr. Ford held several senior management positions with Service Corporation International (SCI), a provider of funeral goods and services as well as cemetery property and services, during his 16 years with that company. Mr. Ford has served on the Boards of Directors of the Illinois, Michigan, and Wisconsin Cemetery Associations and the Board of Directors of the Indiana Funeral Directors Association. Mr. Ford attended Loyola University in Los Angeles where he studied Biology and was a licensed Funeral Director in California.

Austin K. So has served as General Counsel, Chief Legal Officer and Secretary of our general partner since July 5, 2016. Prior to joining our general partner, Mr. So was the Division General Counsel and Secretary of Heraeus Incorporated, a global manufacturing conglomerate, from 2012 to 2016. Leading a team of lawyers based in Germany, China and the U.S., Mr. So oversaw litigation, mergers and acquisitions, commercial transactions, government investigations, compliance, export control, trade law and other legal matters. From 2002 to 2012, Mr. So practiced both transactional law and litigation at corporate law firms in New York City. Mr. So received an A.B. from Harvard College and a J.D. from The University of Pennsylvania Law School.

BOARD MEETINGS AND EXECUTIVE SESSIONS, COMMUNICATIONS WITH DIRECTORS AND BOARD COMMITTEES

In 2018, the Board of Directors of our general partner held ten meetings. All directors then in office attended all of these meetings, either in person or by teleconference.

Our Board of Directors holds regular executive sessions, in which non-management board members meet without any members of management present. Mr. Hellman, Chairman of the Board of Directors and its Lead Director, presides at regular sessions of the non-management members of our Board of Directors.

Interested parties, including unitholders, may contact one or more members of our Board of Directors, including non-management directors individually or as a group, by writing to the director or directors in care of the Secretary of our general partner at our principal executive offices. A communication received from an interested party or unitholder will be promptly forwarded to the director or directors to whom the communication is addressed. We will not, however, forward sales or marketing materials or correspondence primarily commercial in nature, materials that are abusive, threatening or otherwise inappropriate, or correspondence not clearly identified as interested party or unitholder correspondence.

The Board of Directors of our general partner has an Audit Committee, a Conflicts Committee, a Trust and Compliance Committee and a Compensation and Nominating and Governance Committee. The Board of Directors of our general partner appoints the members of such committees. The members of the committees and a brief description of the functions performed by each committee are set forth below.

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Audit Committee

The current members of the Audit Committee are Messrs. Lautman and Negrotti (Chairman) and Ms. Wellenbach. The primary responsibilities of the Audit Committee are to assist the Board of Directors of our general partner in its general oversight of our financial reporting, internal controls and audit functions, and it is directly responsible for the appointment, retention, compensation and oversight of the work of our independent auditors. The Audit Committee's charter is posted on our website at www.stonemor.com under the "Investors" section. Information on our website does not constitute a part of this Annual Report on Form 10-K.

All current committee members qualify as "independent" under applicable standards established by the SEC and NYSE for members of audit committees. In addition, Mr. Negrotti has been determined by the Board of Directors of our general partner to have accounting or related financial management expertise and meet the qualifications of an "audit committee financial expert" in accordance with NYSE listing standards and SEC rules, as applicable. The "audit committee financial expert" designation is a disclosure requirement of the SEC related to Mr. Negrotti's experience and understanding with respect to certain accounting, and auditing matters. The designation does not impose any duties, obligations or liabilities that are greater than those generally imposed on Mr. Negrotti as a member of the Audit Committee and the Board of Directors of our general partner and it does not affect the duties, obligations or liabilities of any other member of the Board of Directors.

Conflicts Committee

The primary responsibility of the Conflicts Committee is to review matters that the directors believe may involve potential conflicts of interest. Members of the Conflicts Committee are appointed and the Conflicts Committee meets on an as-needed basis and determines if a proposed resolution of the conflict of interest is fair and reasonable to us. Members of the Conflicts Committee may not be officers or employees of our general partner or directors, officers, or employees of its affiliates and must meet the independence standards to serve on an audit committee of a board of directors established by the NYSE and certain other requirements. Any matters approved by the Conflicts Committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties it may owe us or our unitholders.

Conflicts of interest may arise between us and our unitholders, on the one hand, and our general partner and its affiliates, on the other hand. Additionally this Committee is responsible for engaging third party experts to perform fairness opinions as deemed necessary. As previously announced, Ms. Wellenbach and Mr. Negrotti were appointed as members of the Conflicts Committee for the purpose of considering, reviewing and making recommendations as to whether a change in our structure from a master limited partnership to a publicly traded Delaware corporation would be in the best interest of the Partnership and our public unitholders. The Board of Directors has approved a fixed fee of \$75,000, each for their service on the Conflicts Committee for 2018.

Trust and Compliance Committee

The current members of the Trust and Compliance Committee are Messrs. Hellman (Chairman) and Sick and Ms. Wellenbach. The primary responsibilities of the Trust and Compliance Committee are to assist the Board in fulfilling its responsibility in the oversight management of merchandise trusts and perpetual care trusts (collectively, the "Trusts") and to review and recommend an investment policy for the Trusts, including (i) asset allocation, (ii) acceptable risk levels, (iii) total return or income objectives, (iv) investment guidelines relating to eligible investments, diversification and concentration restrictions and (v) performance objectives for specific managers or other investments. The Trust and Compliance Committee also oversees matters of non-financial compliance, including

our overall compliance with applicable legal and regulatory requirements.

Compensation and Nominating and Governance Committee

The current members of the Compensation and Nominating and Governance Committee (the "Compensation Committee") are Messrs. Sick (Chairman), Hellman and Pound. The primary responsibilities of the Compensation Committee are to oversee compensation decisions for the non-management directors of our general partner and executive officers of our general partner (in the event they are to be paid by our general partner), as well as our long-term incentive plan and to select and recommend nominees for election to the Board of Directors of our general partner.

CODE OF ETHICAL CONDUCT FOR FINANCIAL MANAGERS, CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS, THE CODE OF ETHICS POLICY, AND THE CORPORATE GOVERNANCE GUIDELINES

We adopted a Code of Ethical Conduct for Financial Managers which is applicable to our financial managers, including our principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Ethical Conduct for Financial Managers incorporates guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. If any amendments are made to the Code of Ethical Conduct for Financial Managers or if we or our general partner grants any waiver, including any implicit waiver, from a provision of the code to any of its financial managers, we will disclose the nature of such amendment or waiver on our website (www.stonemor.com) or in a

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report on Form 8-K. We also adopted a Code of Business Conduct and Ethics for Directors, a Code of Ethics Policy applicable to our officers and other employees, and Corporate Governance Guidelines, which constitute the framework for our corporate governance.

The Code of Ethical Conduct for Financial Managers, the Code of Business Conduct and Ethics for Directors, the Code of Ethics Policy, and the Corporate Governance Guidelines are publicly available on our website under the "Investors" section at www.stonemor.com. Information on our website does not constitute a part of this Annual Report on Form 10-K.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Our general partner's directors, officers and beneficial owners of more than 10% of common units, if any, are required to file reports of ownership and reports of changes in ownership with the SEC. Directors, officers and beneficial owners of more than 10% of our common units are also required to furnish us with copies of all such reports that are filed. Based solely on our review of copies of such forms and amendments and on written representations from reporting individuals, we believe that all of the directors and executive officers of our general partner filed the required reports on a timely basis under Section 16(a) of the Exchange Act during the year ended December 31, 2018.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth summary information relating to all compensation awarded to, earned by or paid to the individuals listed in the table below, collectively referred to as our "named executive officers," for all services rendered in all capacities to our subsidiaries and us during the years noted. The term "Stock" in the Summary Compensation Table and other tables included in this Part III, Item 11. Executive Compensation refer to common units of the Partnership.

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) (1) | Stock | Non-Equity | All Other | Total (\$) |
|--|------|-------------|-------------------|-------------|----------------|------------------|-------------|
| | | | | Awards (2) | Incentive Plan | Compensation (3) | |
| Joseph M. Redling (4) Chief Executive Officer and President | 2018 | \$317,692 | \$325,000 | \$3,052,500 | \$ - | \$ - | \$3,695,192 |
| Leo J. Pound (5) Former Interim Chief Executive Officer | 2018 | \$425,000 | \$200,000 | \$- | \$ - | \$ 584,851 | \$1,209,851 |
| | 2017 | \$420,000 | \$- | \$- | \$ - | \$ 147,468 | \$567,468 |
| R. Paul Grady (6) Former Chief Executive Officer and President | 2018 | \$161,538 | \$- | \$- | \$ - | \$ - | \$161,538 |
| | 2017 | \$380,770 | \$- | \$- | \$ - | \$ 25,000 | \$405,770 |
| Mark L. Miller (7) Chief Financial Officer | 2018 | \$450,000 | \$75,000 | \$224,999 | \$ - | \$ - | \$749,999 |
| | 2017 | \$287,577 | \$150,000 | \$159,034 | \$ - | \$ 113,575 | \$710,186 |

| | | | | | | | |
|--------------------------------------|------|-----------|-----------|-----------|------|-----------|-----------|
| and Senior Vice President | | | | | | | |
| Austin K. So (8) | 2018 | \$375,000 | \$200,000 | \$187,503 | \$ - | \$ 2,279 | \$764,782 |
| General Counsel, Chief Legal Officer | | | | | | | |
| and Secretary | 2017 | \$367,308 | \$293,750 | \$132,522 | \$ - | \$ 10,780 | \$804,360 |

- (1) Represents bonus amounts earned with respect to the applicable year except as otherwise indicated.
- (2) Represents the aggregate grant date fair value of awards in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718"). On July 18, 2018, Joseph M. Redling was issued 750,000 restricted units under the Partnership's 2014 Long Term Incentive Plan (as now amended and restated, the "2018 Plan"), which vest in quarterly installments over a four year period. The amounts set forth for 2018 for Mark L. Miller and Austin K. So represent awards made under the 2018 Plan with aggregate fair values of \$224,999 and \$187,503, respectively, assuming the target condition is met in each of the three vesting periods for the units that vest based on achieving performance targets ("PVUs"). The amounts set forth for 2017 for Messrs. Miller and So represent awards that were intended to be made in 2017 but were delayed due to delinquencies in the filing of certain periodic reports by the Partnership with aggregate fair values of \$159,634 and \$132,522, respectively, assuming the target condition is met in each of the three vesting periods for the PVUs.
- (3) All other compensation for 2018 includes the following personal benefits:

| Name | Benefit | | | |
|--------------|----------|----------------|------------|---------|
| | Airfare | Transportation | Cell Phone | Other |
| Leo J. Pound | \$45,980 | \$ 12,880 | \$— | \$6,991 |
| Austin K. So | \$— | \$ — | \$1,530 | \$749 |

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- (4) Mr. Redling commenced service as our Chief Executive Officer and President on July 18, 2018. The amount set forth under "Salary" is prorated for the service period. Mr. Redling's annualized base salary is \$700,000.
- (5) Mr. Pound served as Interim Chief Executive Officer from March 30, 2018 through July 17, 2018, as Interim Strategic Executive from July 18, 2018 through October 31, 2018 and as Acting Chief Operating Officer from April 16, 2017 through September 29, 2017. The amount set forth under "Salary" represents consulting fees we paid to his consulting firm for his service in 2018 as Interim Chief Executive Officer and in 2017 as Acting Chief Operating Officer. The amount set forth under "All Other Compensation" for 2018 includes \$150,000 in consulting fees we paid to his consulting firm for his service as Interim Strategic Executive. The amounts set forth under "All Other Compensation" also include the compensation Mr. Pound received for his service as a director of StoneMor GP for 2018 and 2017, and is comprised of the following:

| | Fees Earned or Paid In | Stock Awards | Total (\$) |
|------|------------------------------|-----------------|------------|
| | (\$)(1) | (\$)(2) | |
| 2018 | \$74,000 | \$20,000 | \$94,000 |
| 2017 | \$126,000 | \$21,468 | \$147,468 |

- (1) Mr. Pound was entitled to an annual retainer for services as a director of \$80,000, which is received in cash, restricted phantom units or a combination of cash and restricted Phantom units, at his election. A minimum of \$20,000 of the \$80,000 annual retainer was required to be paid in restricted phantom units. In addition to the retainer, Mr. Pound was entitled to a meeting fee of \$2,000 for each meeting of the board of directors attended in person and \$1,500 for each committee meeting attended in person, a fee of \$500 for participation in each board call that is greater than one hour, but less than two hours, and \$1,000 for participation in each telephone board call that is two hours or more. In 2017, Mr. Pound also received a fee of \$50,000 in 2017 for serving on the Executive Search Committee of the Board of Directors in 2017. Mr. Pound is also entitled to receive restricted phantom units pursuant to his distribution equivalent rights.
- (2) The restricted phantom units awarded as retainer compensation are credited to a mandatory deferred compensation account established for Mr. Pound. In addition, for each restricted phantom unit in such account, we credit the account, solely in additional restricted phantom units, an amount of distribution equivalent rights so as to provide Mr. Pound a means of participating on a one-for-one basis in distributions made to holders of our common units. Payment of Mr. Pound's mandatory deferred compensation account will be made on the earliest of (i) his separation of service as a director, (ii) disability, (iii) unforeseeable emergency, (iv) death or (v) change of control of the Partnership or our general partners. Any such payment will be made at our election in our common units or cash
- (6) Mr. Grady served as our Chief Executive Officer and President from May 17, 2017 through March 29, 2018.
- (7) Mr. Miller's bonus amount for 2017 represents the grant date fair value of the restricted units issued to him in March 2018 in accordance with ASC Topic 718. The amount set forth under "All Other Compensation" for 2017 is comprised of \$88,575 in consulting fees we paid to his consulting firm for consulting services prior to his commencement of service as our Chief Financial Officer, a \$10,000 reimbursement for legal fees incurred in

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connection with the negotiation of his employment agreement, and a \$15,000 reimbursement for the premium for a supplemental directors' and officers' liability insurance policy.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2018

The following table sets forth information with respect to outstanding equity awards at December 31, 2018 for our named executive officers.

| | Stock Awards | Market or |
|-------------------|-----------------|-----------------|
| | Number of | Payout Value |
| | Unearned | of Unearned |
| | Shares, Units | Shares, Units |
| | or Other Rights | or Other Rights |
| | That Have | That Have Not |
| | Not Vested | Vested |
| Name (1) | (#) (2) | (\$ (3) |
| Joseph M. Redling | 703,125 | \$ 1,476,563 |
| Mark L. Miller | 50,281 | \$ 105,590 |
| Austin K. So | 34,774 | \$ 73,025 |

(1) No unvested or unexercised equity awards were held at December 31, 2018 by any named executive officer not listed in this table.

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- (2) Excludes a total of 48,875, 5,458, and 454 units that had vested for Messer's Redling, Miller and So but as of December 31, 2018, had been issued.
- (3) The market value of these outstanding awards has been computed by multiplying the closing price of the common units on December 31, 2018 by the number of unvested units held by Messrs. Redling, Miller and So.

AGREEMENTS WITH NAMED EXECUTIVE OFFICERS

The following is a summary of certain material provisions of agreements between our general partner and our named executive officers.

Joseph M. Redling

Joseph M. Redling and our general partner are parties to an employment agreement dated June 29, 2018 pursuant to which Mr. Redling serves as Chief Executive Officer and Senior Vice President of our general partner. Mr. Redling's initial base salary under the agreement is \$700,000 per year, which base salary is subject to annual review by the Board. Any decrease in base salary shall be made only to the extent StoneMor GP contemporaneously and proportionately decreases the base salaries of all of its senior executives.

The agreement provides that Mr. Redling is eligible to receive an annual incentive cash bonus with respect to each fiscal year of StoneMor GP, provided that he will not be eligible to receive such bonus if he is not employed on the last day of the fiscal year to which such bonus relates and, further, he will not be eligible for such bonus unless other senior executive team members have also earned a bonus for such fiscal year. The target amount of the cash bonus is 100% of his base salary with respect to the applicable fiscal year and is to be based on specific individual and company performance goals established by the Compensation Committee and as described in his employment agreement. With respect to fiscal year 2018, the agreement provides that Mr. Redling was eligible for a pro-rated cash bonus based upon the time Mr. Redling was employed by StoneMor GP during fiscal year 2018.

The agreement also provided that Mr. Redling was entitled to receive an initial grant of restricted common units in the Partnership of 750,000 units. Such restricted common units will vest, if at all, in equal quarterly installments over the four year period following the date of grant and will have rights to distributions consistent with fully vested common units in the Partnership. The grant of such restricted common units was made on July 18, 2018, and is subject to such other terms and conditions as are set forth in the Executive Restricted Unit Agreement entered into between Mr. Redling and StoneMor GP at the time of grant.

Under the agreement, Mr. Redling is also entitled to participate in the 2018 Plan for the 2019 fiscal year and each fiscal year thereafter, to the extent that StoneMor GP offers the 2018 Plan to all senior executives of StoneMor GP. Mr. Redling's participation in the 2018 Plan with respect to the 2019 fiscal year and in any future fiscal year, if offered by StoneMor GP, shall be in an annual amount equal to 150% of his base salary, with 50% of such annual amount vesting in equal annual installments over three years and 50% of the annual amount vesting based upon attainment of performance goals as determined by the Executive Committee of the Board, in consultation with the Compensation Committee.

If Mr. Redling's employment is terminated for any reason, Mr. Redling will be entitled to receive the following: (i) any base salary for days actually worked through the date of termination; (ii) reimbursement of all expenses for which Mr. Redling is entitled to be reimbursed pursuant to the agreement, but for which he has not yet been reimbursed; (iii) any vested accrued benefits under StoneMor GP's employee benefit plans and programs in accordance with the terms of such plans and programs, as accrued through the date of termination; (iv) vested but unissued equity in StoneMor GP or the Partnership; (v) any bonus or other incentive (or portion thereof) for any preceding completed fiscal year that

has been awarded by StoneMor GP to Mr. Redling, but has not been received by him prior to the date of termination; (vi) accrued but unused vacation, to the extent Mr. Redling is eligible in accordance with StoneMor GP's policies and (vii) any other payment or benefit (other than severance benefits) to which Mr. Redling may be entitled under the applicable terms of any written plan, program, policy, agreement, or corporate governance document of StoneMor GP, the Partnership or any of their successors or assigns.

If Mr. Redling's employment is terminated by StoneMor GP without "Cause" and not for death or "Disability" or by Mr. Redling for "Good Reason" (as such terms are defined in the agreement), and provided that Mr. Redling enters into a release as provided for in the agreement, Mr. Redling would be entitled to receive, in addition to the benefits described in the preceding paragraph, the following: (i) payment of 1.5 times his base salary for a period of 12 months following the effective date of his termination, to be paid in equal installments in accordance with the normal payroll practices of StoneMor GP, commencing on the 60th day following the date of termination, with the first payment including any amounts not yet paid between the date of termination and the date of the first payment and (ii) a pro-rata cash bonus for the fiscal year in which such termination occurs, if any, determined by StoneMor GP (subject to certain the restrictions as set forth above), which shall be paid at the same time that annual incentive cash bonuses are paid to other executives of StoneMor GP, but in no event later than March 15 of the fiscal year following the fiscal year in which the date of termination occurs.

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In the event of a "Change in Control" (as such term is defined in the agreement), all outstanding equity interests granted to Mr. Redling that are subject to time-based vesting provisions and that are not fully vested shall become fully vested as of the date of such Change in Control. The agreement also includes customary covenants running during Mr. Redling's employment and for 12 months thereafter prohibiting solicitation of employees, directors, officers, associates, consultants, agents or independent contractors, customers, suppliers, vendors and others having business relationships with StoneMor GP and prohibiting Mr. Redling from directly or indirectly competing with StoneMor GP. The agreement also contains provisions relating to protection of StoneMor GP's property, its confidential information and ownership of intellectual property as well as various other covenants and provisions customary for an agreement of this nature.

R. Paul Grady

Mr. Grady and our general partner were parties to an employment agreement effective May 17, 2017 pursuant to which Mr. Grady served as President and Chief Executive Officer of our general partner. On February 26, 2018, Mr. Grady resigned as President, Chief Executive Officer and a director effective on March 30, 2018. Mr. Grady's base salary was \$600,000 per year. The agreement provided that Mr. Grady was eligible to receive an annual incentive cash bonus provided that, except for certain qualifying terminations of employment, he was employed on the last day of the fiscal year to which such bonus related, and provided further that he would not have been eligible for such bonus unless other senior executive team members had also earned a bonus for such fiscal year. The amount of the cash bonus was to be within a range of 0% to 150% of his base salary with respect to the applicable fiscal year. The agreement provided that, in lieu of all or a portion of any cash bonus with respect to the 2017 fiscal year, Mr. Grady would have been eligible to receive a grant of restricted common units in the Partnership with a value equal to \$300,000. Such restricted common units would have vested, if at all, in equal monthly installments over the two year period following the date of grant and would have had rights to distributions consistent with fully vested common units in the Partnership. The grant of such restricted common units was to be made as promptly as practicable after the Partnership had filed all of its required reports under the Securities Exchange Act of 1934, as amended. Because Mr. Grady gave notice of his intention to resign prior to the grant of such units and such units would, as a result, have been forfeited effective upon his resignation, he did not receive any such award.

Under the agreement, Mr. Grady was also entitled to participate in our long-term incentive plan for the 2017 fiscal year and each fiscal year thereafter, to the extent that our general partner offered such long-term incentive plan to all of its senior executives. Because Mr. Grady's resignation was effective prior to the date on which any of the awards made with respect to 2017 would have vested, Mr. Grady did not participate in the 2017 awards. The agreement also provided that Mr. Grady was entitled to a 4% profit participation in our general partner, which was forfeited in connection with his resignation. Our general partner also agreed to reimburse Mr. Grady for the cost of a supplemental directors' and officers' insurance policy for up to \$5,000,000 and to pay up to \$10,000 in attorneys' fees incurred by Mr. Grady in connection with the review, negotiation and documentation of his agreement.

The agreement provided for certain benefits if Mr. Grady's employment was terminated by our general partner with or without "Cause" or by Mr. Grady with or without "Good Reason" or in the event of Mr. Grady's death or "Disability" of a "Change in Control" (as such terms are defined in the agreement). In connection with Mr. Grady's voluntary resignation, no such benefits were payable.

The agreement also included customary covenants running during Mr. Grady's employment and for 18 months thereafter prohibiting solicitation of employees, directors, officers, associates, consultants, agents or independent contractors, customers, suppliers, vendors and others having business relationships with our general partner and prohibiting Mr. Grady from directly or indirectly competing with our general partner. The agreement also contained

provisions relating to protection of our general partner's property, its confidential information and ownership of intellectual property as well as various other covenants and provisions customary for an agreement of this nature.

Mark L. Miller

Mark L. Miller and our general partner are parties to an employment agreement effective as of May 16, 2017 pursuant to which Mr. Miller serves as Chief Financial Officer and Senior Vice President of our general partner. Mr. Miller's initial base salary under the agreement is \$450,000 per year, which base salary is subject to annual review by the Board. Any decrease in base salary shall be made only to the extent StoneMor GP contemporaneously and proportionately decreases the base salaries of all of its senior executives.

The agreement provides that Mr. Miller is eligible to receive an annual incentive cash bonus with respect to each fiscal year of StoneMor GP, provided, except for certain qualifying terminations of employment, that he will not be eligible to receive such bonus if he is not employed on the last day of the fiscal year to which such bonus relates and, further, he will not be eligible for such bonus unless other senior executive team members have also earned a bonus for such fiscal year. The amount of the cash bonus will be within a range of 0% to 112.5% of his base salary with respect to the applicable fiscal year, with a target bonus

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opportunity equal to 75% of his base salary. With respect to fiscal year 2017, the agreement provides that Mr. Miller was eligible for a pro-rated cash bonus based upon the time Mr. Miller was employed by StoneMor GP during fiscal year 2017. In addition, the agreement provides that, to the extent that the cash bonus payable to Mr. Miller with respect to the 2017 fiscal year, if any, is determined to exceed \$100,000, only the amounts in excess of \$100,000 shall be payable to Mr. Miller in cash.

The agreement provides that, in lieu of all or a portion of any cash bonus with respect to the 2017 fiscal year, Mr. Miller was entitled to receive a grant of restricted common units in the Partnership with a value equal to \$100,000. Such restricted common units will vest, if at all, in equal monthly installments over the two year period following the date of grant and will have rights to distributions consistent with fully vested common units in the Partnership. The grant of such restricted common units was made on March 19, 2018, and is subject to such other terms and conditions as are set forth in the Executive Restricted Unit Agreement entered into between Mr. Miller and StoneMor GP at the time of grant.

Under the agreement, Mr. Miller is also entitled to participate in our long-term incentive plan for the 2017 fiscal year and each fiscal year thereafter, to the extent that StoneMor GP offers the 2018 Plan to all senior executives of StoneMor GP. Mr. Miller's participation in the 2018 Plan with respect to the 2017 fiscal year and in any future fiscal year, if offered by StoneMor GP, shall be in an annual amount equal to 50% of his base salary, with 50% of such annual amount vesting in equal annual installments over three years and 50% of the annual amount vesting based upon attainment of performance goals as determined by the Executive Committee of the Board, in consultation with the Compensation Committee. To the extent Mr. Miller's employment terminates on account of "Retirement" (as such term is defined in the agreement) during a performance period applicable to a particular long-term incentive plan grant, the portion of such grant that is subject to performance goals shall be earned pro-rata based on actual performance and the number of months that Mr. Miller was employed during the performance period. To be eligible for a pro-rated portion of the grant in the event of a retirement, Mr. Miller must execute a release substantially in the form attached to his agreement.

The agreement also provides that Mr. Miller shall be entitled to a 1% profit participation in StoneMor GP, with the terms of such profit participation (including, but not limited to, vesting terms and distribution participation rights) being subject to and governed by the agreement to be entered into promptly following the effective date. StoneMor GP also agreed to reimburse Mr. Miller for the cost of a supplemental directors' and officers' insurance policy for up to \$5,000,000.

If Mr. Miller's employment is terminated by StoneMor GP for "Cause" or by Mr. Miller without "Good Reason" or in the event of Mr. Miller's death or "Disability" (as such terms are defined in the agreement), Mr. Miller will be entitled to receive the following: (i) any base salary for days actually worked through the date of termination; (ii) reimbursement of all expenses for which Mr. Miller is entitled to be reimbursed pursuant to the agreement, but for which he has not yet been reimbursed; (iii) any vested accrued benefits under StoneMor GP's employee benefit plans and programs in accordance with the terms of such plans and programs, as accrued through the date of termination; (iv) vested but unissued equity in StoneMor GP or the Partnership; (v) any bonus or other incentive (or portion thereof) for any preceding completed fiscal year that has been awarded by StoneMor GP to Mr. Miller, but has not been received by him prior to the date of termination; and (vi) accrued but unused vacation, to the extent Mr. Miller is eligible in accordance with StoneMor GP's policies.

If Mr. Miller's employment is terminated by StoneMor GP without "Cause" or by Mr. Miller for "Good Reason" (as such terms are defined in the agreement), and provided that Mr. Miller enters into a release as provided for in the agreement, Mr. Miller would be entitled to receive, in addition to the benefits described in the preceding paragraph,

the following: (i) payment of his base salary for a period of 12 months following the effective date of his termination, to be paid in equal installments in accordance with the normal payroll practices of StoneMor GP, commencing within 60 days following the date of termination, with the first payment including any amounts not yet paid between the date of termination and the date of the first payment and (ii) a pro-rata cash bonus for the fiscal year in which such termination occurs, if any, determined by StoneMor GP (subject to certain the restrictions as set forth above), which shall be paid at the same time that annual incentive cash bonuses are paid to other executives of StoneMor GP, but in no event later than March 15 of the fiscal year following the fiscal year in which the date of termination occurs.

In the event of a "Change in Control" (as such term is defined in the agreement), all outstanding equity interests granted to Mr. Miller that are subject to time-based vesting provisions and that are not fully vested shall become fully vested as of the date of such Change in Control. The agreement also includes customary covenants running during Mr. Miller's employment and for 12 months thereafter prohibiting solicitation of employees, directors, officers, associates, consultants, agents or independent contractors, customers, suppliers, vendors and others having business relationships with StoneMor GP and prohibiting Mr. Miller from directly or indirectly competing with StoneMor GP. The agreement also contains provisions relating to protection of StoneMor GP's property, its confidential information and ownership of intellectual property as well as various other covenants and provisions customary for an agreement of this nature.

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Austin K. So

In May 2016, Mr. So entered into a letter agreement with our general partner, which provided that Mr. So would receive an annual base salary of \$275,000. Pursuant to the letter agreement, Mr. So was also eligible to receive, subject to mutually agreed terms and conditions: (i) an annual incentive bonus, with a target bonus equal to 25% of his annual base salary; (ii) an annual equity incentive award targeted at 25% of Mr. So's base salary, which was subsequently increased to 50% in the discretion of the Compensation Committee; and (iii) salary continuation for a period of 6 months in case of Mr. So's termination without cause, provided that he has been employed with the Company for a period of at least 12 months, but less than 24 months. Mr. So also entered into a Confidentiality, Nondisclosure, and Restrictive Covenant Agreement with our general partner, which contains customary non-solicitation, non-competition and confidentiality covenants.

In January 2017, Mr. So entered into a letter agreement with our general partner which provided that, effective as of February 1, 2017, his annual base salary increased to \$375,000. In addition, Mr. So received a cash bonus of \$100,000 in connection with the execution of this letter agreement. The letter agreement also provides that Mr. So is eligible to receive a quarterly retention bonus of \$50,000 per quarter, payable in cash after the end of each quarter in 2017, and a quarterly retention bonus of \$25,000 per quarter, payable in cash after the end of each quarter in 2018. In order to be eligible to receive a quarterly retention bonus with respect to a particular quarter, Mr. So must be employed by the general partner on the day the general partner pays the applicable retention bonus.

On June 15, 2018, Mr. So and our general partner entered into an employment agreement pursuant to which Mr. So continues to serve as General Counsel, Chief Legal Officer and Secretary of our general partner. The agreement superseded the letter agreements described above. Mr. So's base salary under the agreement remains \$375,000 per year, which base salary is subject to annual review by the Board. Any decrease in base salary shall be made only to the extent StoneMor GP contemporaneously and proportionately decreases the base salaries of all of its senior executives.

The agreement provides that Mr. So is eligible to receive an annual incentive cash bonus with respect to each fiscal year of StoneMor GP, provided that, except for certain qualifying terminations of employment, he will not be eligible to receive such bonus if he is not employed on the last day of the fiscal year to which such bonus relates and, further, he will not be eligible for such bonus unless other senior executive team members have also earned a bonus for such fiscal year. The amount of the cash bonus will be targeted at 50% of his base salary with respect to the applicable fiscal year. Mr. So remains entitled to receive a quarterly retention bonus of \$25,000 per quarter, payable in cash after the end of each quarter in 2018, provided that he is employed by the general partner on the day the general partner pays the applicable retention bonus.

Under the agreement, Mr. So is also entitled to participate in the 2018 Plan to the extent that StoneMor GP offers the 2018 Plan to all senior executives of StoneMor GP. Mr. So's participation in the 2018 Plan, if offered by StoneMor GP, shall be in an annual amount equal to 50% of his base salary, with 50% of such annual amount vesting in equal annual installments over three years and 50% of the annual amount vesting based upon attainment of performance goals as determined by the Compensation Committee. To the extent Mr. So's employment terminates on account of "Retirement" (as such term is defined in the agreement) during a performance period applicable to a particular 2018 Plan grant, the portion of such 2018 Plan grant that is subject to performance goals shall be earned pro-rata based on actual performance and the number of months that Mr. So was employed during the performance period. To be eligible for a pro-rated portion of the 2018 Plan grant in the event of a retirement, Mr. So must execute a release substantially in the form attached to his agreement.

If Mr. So's employment is terminated by StoneMor GP for "Cause" or by Mr. So without "Good Reason" or in the event of Mr. So's death or "Disability" (as such terms are defined in the agreement), Mr. So will be entitled to receive the following: (i) any base salary for days actually worked through the date of termination; (ii) reimbursement of all expenses for which Mr. So is entitled to be reimbursed pursuant to the agreement, but for which he has not yet been reimbursed; (iii) any vested accrued benefits under StoneMor GP's employee benefit plans and programs in accordance with the terms of such plans and programs, as accrued through the date of termination; (iv) vested but unissued equity in StoneMor GP or the Partnership; (v) any bonus or other incentive (or portion thereof) for any preceding completed fiscal year that has been awarded by StoneMor GP to Mr. So, but has not been received by him prior to the date of termination; and (vi) accrued but unused vacation, to the extent Mr. So is eligible in accordance with StoneMor GP's policies.

If Mr. So's employment is terminated by StoneMor GP without "Cause" or by Mr. So for "Good Reason" (as such terms are defined in the agreement), and provided that Mr. So enters into a release as provided for in the agreement, Mr. So would be entitled to receive, in addition to the benefits described in the preceding paragraph, the following: (i) payment of his base salary for a period of 12 months following the effective date of his termination, to be paid in equal installments in accordance with the normal payroll practices of StoneMor GP, commencing on the Company's first payroll date following the expiration of the release revocation period, with the first payment including any amounts not yet paid between the date of termination and the date of the first payment and (ii) a pro-rata cash bonus for the fiscal year in which such termination occurs, if any, determined by StoneMor GP (subject to certain the restrictions as set forth above), which shall be paid at the same time that annual incentive cash bonuses

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are paid to other executives of StoneMor GP, but in no event later than March 15 of the fiscal year following the fiscal year in which the date of termination occurs.

In the event of a "Change in Control" (as such term is defined in the agreement), all outstanding equity interests granted to Mr. So that are subject to time-based vesting provisions and that are not fully vested shall become fully vested as of the date of such Change in Control. The agreement also includes customary covenants running during Mr. So's employment and for 12 months thereafter prohibiting solicitation of employees, directors, officers, associates, consultants, agents or independent contractors, customers, suppliers, vendors and others having business relationships with StoneMor GP and prohibiting Mr. So from directly or indirectly competing with StoneMor GP. The agreement also contains provisions relating to protection of StoneMor GP's property, its confidential information and ownership of intellectual property as well as various other covenants and provisions customary for an agreement of this nature.

DIRECTOR COMPENSATION

| Name (1) | Fees Earned or | | Total (\$) |
|--------------------------|-------------------------|-----------------------------|------------|
| | Paid in Cash (\$) | Stock Awards (\$) (2) | |
| Howard L. Carver (3) | \$23,500 | \$20,000 | \$43,500 |
| Jonathan A. Contos (4) | \$— | \$— | \$— |
| Allen Freedman (3) | \$87,500 | \$— | \$87,500 |
| Robert B. Hellman, Jr. | \$100,500 | \$— | \$100,500 |
| Martin R. Lautman, Ph.D. | \$53,500 | \$50,000 | \$103,500 |
| Stephen J. Negrotti | \$158,750 | \$15,000 | \$173,750 |
| Leo J. Pound | \$59,000 | \$20,000 | \$79,000 |
| Robert A. Sick | \$93,125 | \$— | \$93,125 |
| Fenton R. Talbott | \$72,500 | \$20,000 | \$92,500 |
| Patricia D. Wellenbach | \$148,000 | \$15,000 | \$163,000 |

(1) Each director denoted was entitled to an annual retainer of \$80,000, which could be received in cash, restricted phantom units or a combination of cash and restricted phantom units at the director's election. A minimum of \$20,000 of the \$80,000 annual retainer was required to be paid in restricted phantom units to each director. In addition to the retainers, the same directors were entitled to a meeting fee of \$2,000 for each meeting of the board of directors attended in person and \$1,500 for each committee meeting attended in person, a fee of \$500 for participation by telephone in any board or committee meeting that is greater than one hour, but less than two hours, and \$1,000 for participation by telephone in any board or committee meeting that is two hours or more. In addition, Mr. Freedman received an annual retainer of \$15,000 as the Chairman of the Audit Committee, Mr. Talbott receives an annual retainer of \$10,000 for serving as the Chairman of our Compensation and Nominating and Governance Committee and Mr. Carver received a fee of \$50,000 for serving on the Executive Search Committee. Mr. Negrotti and Ms. Wellenbach received a fee of \$75,000 for serving on the Conflicts Committee. Lastly, each director is entitled to receive restricted phantom units pursuant to their distribution equivalent rights. The cash amounts shown in the table above are those earned during 2018. For information regarding cash distributions that

may be received by our directors by reasons of their ownership interests in our general partner or its affiliates see Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence.

(2) The restricted phantom units awarded as retainer compensation are credited to a mandatory deferred compensation account established for each such person. In addition, for each restricted phantom unit in such account, we credit the account, solely in additional restricted phantom units, an amount of distribution equivalent rights so as to provide the restricted phantom unit holders a means of participating on a one-for-one basis in distributions made to holders of our common units. Payments of the participant's mandatory deferred compensation account will be made on the earliest of (i) separation of the participant from service as a director, (ii) disability, (iii) unforeseeable emergency, (iv) death or (v) change of control of the Partnership or our general partner. Any such payment will be made at our election in our common units or cash.

(3) The terms of Messrs. Carver and Freedman as directors expired on May 1, 2018

(4) Mr. Contos resigned effective February 9, 2018

LONG-TERM INCENTIVE PLANS

In 2004, our general partner adopted the StoneMor Partners L.P. Long-Term Incentive Plan, (as amended the "2004 Plan), for employees, consultants and directors of our general partner and its affiliates. The 2004 Plan permitted the grant of awards covering an aggregate of 1,124,000 common units in the form of unit options, unit appreciation rights, restricted units and phantom units.

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The 2004 Plan expired on September 10, 2014 pursuant to its terms. Although outstanding awards under the 2004 Plan continue in effect upon such expiration, no new awards were permitted under the 2004 Plan after September 10, 2014. The Board of Directors of our general partner unanimously approved the StoneMor Partners L.P. 2014 Long-Term Incentive Plan (the "2014 Plan") effective September 24, 2014, subject to unitholder approval, and on November 13, 2014, at a special meeting of unitholders, the 2014 Plan was approved by unitholders. Generally, the terms of the 2014 Plan and the 2004 Plan are similar. The 2014 Plan provides us with more flexibility in granting various types of awards and includes, for example, unit awards, which were not part of the 2004 Plan. Effective August 22, 2018, the General Partner's Board of Directors (the "Board") adopted the 2018 Plan which amended and restated the 2014 Plan.

The 2018 Plan is intended to promote the interests of the Partnership, our general partner and their respective affiliates by providing to employees, consultants and directors of our general partner and its affiliates incentive compensation awards to encourage superior performance. The 2018 Plan is also contemplated to enhance our ability and the ability of our general partner and its affiliates to attract and retain the services of individuals who are essential for our growth and profitability and to encourage them to devote their best efforts to advancing our business.

Subject to adjustments due to recapitalization or reorganization, the maximum aggregate number of common units which may be issued pursuant to all awards under the 2018 Plan is 2,000,000 common units. The Board of Directors may increase such maximum aggregate number of common units by up to 100,000 common units per year. Common units withheld from an award or surrendered by a recipient to satisfy certain tax withholding obligations of the Partnership or an affiliate or in connection with the payment of an exercise price with respect to an award will not be considered to be common units delivered under the 2018 Plan. If any award is forfeited, canceled, exercised, settled in cash or otherwise terminates or expires without the actual delivery of common units pursuant to the award, the common units subject to such award will be again available for awards under the 2018 Plan.

The 2018 Plan is administered by the Compensation Committee of the Board of Directors of our general partner. The Compensation Committee has full power and authority to: (i) designate participants; (ii) determine the type or types of awards to be granted to a participant; (iii) determine the number of common units to be covered by awards; (iv) determine the terms and conditions of any award, including, without limitation, provisions relating to acceleration of vesting or waiver of forfeiture restrictions; (v) determine whether, to what extent, and under what circumstances awards may be vested, settled, exercised, canceled or forfeited; (vi) interpret and administer the 2018 Plan and any instrument or agreement relating to an award made under the 2018 Plan; (vii) establish, amend, suspend or waive such rules and regulations and delegate to and appoint such agents as it deems appropriate for the proper administration of the 2018 Plan; and (viii) make any other determination and take any other action that the Compensation Committee deems necessary or desirable for the administration of the 2018 Plan. The committee may correct any defect or supply any omission or reconcile any inconsistency in the 2018 Plan or an award agreement, as the committee deems necessary or appropriate.

Awards under the 2018 Plan may be in the form of: (i) phantom units; (ii) restricted units (including unit distribution rights, referred to as "UDRs"); (iii) options to acquire common units; (iv) UARs; (v) DERs; (vi) unit awards and cash awards; and (vii) substitute awards (viii) performance awards and (ix) other unit-based awards. Awards under the 2018 Plan may be granted either alone or in addition to, in tandem with or in substitution for any other award granted under the 2018 Plan or any other plan of the company or an affiliate. Awards granted in addition to or in tandem with other awards may be granted at either the same time as or at a different time from the other award. If an award is granted in substitution or exchange for another award, the Compensation Committee shall require the recipient to surrender the original award in consideration for the grant of the new award. Awards under the 2018 Plan may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of our general

partner, our Partnership or any affiliates, in which the value of common units subject to the award is equivalent in value to the cash compensation or in which the exercise price, grant price, or purchase price of the award in the nature of a right that may be exercised is equal to the fair market value of the underlying common units minus the value of the cash compensation surrendered. Summaries of the different types of awards are provided below:

Phantom Unit

A phantom unit entitles the grantee to receive a common unit upon the vesting of the phantom unit or, at the discretion of our Compensation Committee, the cash equivalent of the fair market value of a common unit (or a combination of such cash or common units). The Compensation Committee determines the number of phantom units to be granted, the period of time when the phantom units are subject to forfeiture, vesting or forfeiture conditions, which may include accelerated vesting upon the achievement of certain performance goals, and such other terms and conditions the Compensation Committee may establish, including whether DERs are granted with respect to phantom units.

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Restricted Unit

A restricted unit is a grant of a common unit that is a common unit that is subject to a restricted period established by the Compensation Committee, during which the award remains subject to forfeiture or is either not exercisable by or payable to the recipient of the award. The Compensation Committee determines the number of restricted units to be granted, the period of time when the restricted units are subject to forfeiture, vesting or forfeiture conditions, which may include accelerated vesting upon the achievement of certain performance goals, and such other terms and conditions the Compensation Committee may establish. Upon or as soon as reasonably practical following the vesting of a restricted unit, the participant is entitled to receive a certificate evidencing ownership of the unit or to have the restrictions removed from any unit certificate that may have previously been delivered so that the unit will be unrestricted. Recipients of restricted unit awards are entitled to unit distributions rights (“UDRs”), representing the right to receive distributions made with respect to the Partnership’s common units. Such UDRs may be payable in cash or as additional restricted units and may be subject to forfeiture and withheld until the restricted units to which they relate cease to be subject to forfeiture, all as determined by the Compensation Committee.

Option

An option confers on the grantee the right to purchase common units at a specified exercise price during specified time periods. The Compensation Committee determines the number of common units underlying each option, whether DERs also are to be granted with the common unit option, the exercise price and the conditions and limitations applicable to the exercise of the common unit option.

UAR

A UAR entitles the grantee to receive the excess of the fair market value of a common unit on the exercise date over the exercise price established for such UAR, which may be paid in cash or common units at the discretion of the Compensation Committee. The Compensation Committee determines the number of common units to be covered by each grant, whether DERs are granted with respect to such UAR, the exercise price and the conditions and the limitations applicable to the exercise of the UAR, which may include accelerated vesting upon the achievement of certain performance goals.

DER

A DER entitles the grantee to receive an amount, payable either in cash, common units and/or phantom units at the discretion of the Compensation Committee, equal to the cash distributions we make with respect to a common unit during the period the award is outstanding. At the discretion of the Compensation Committee, any award, other than a restricted unit or unit award, may include a tandem grant of DERs, which may provide that the DERs will be paid directly to the participant, be reinvested into additional awards, be credited to an account subject to the same restrictions as the tandem award, if any, or be subject to such other provisions and restrictions as determined by the Compensation Committee. The Compensation Committee may also grant DERs as stand-alone awards.

UDR

A UDR is a distribution made by us with respect to a restricted unit. At the discretion of the Compensation Committee, a grant of restricted units may also provide for a UDR, which may be subject to the same forfeiture and other restrictions as the restricted units. If restricted, the distributions will be held, without interest, until the restricted unit vests or is forfeited with the UDR being paid or forfeited at the same time, as the case may be. The Compensation

Committee may also provide that distributions be used to acquire additional restricted units. When there is no restriction on the UDRs, UDRs will be paid to the holder of the restricted unit without restriction at the same time as cash distributions are paid by our Partnership to unitholders.

Unit Award

A unit award is a grant of a common unit, which is not subject to a restricted period during which the award remains subject to forfeiture or is either not exercisable by or payable to the recipient of the award. Unit awards are granted at the discretion of the Compensation Committee as a bonus or additional compensation or in lieu of cash compensation the recipient would otherwise be entitled to receive, in such amounts as the Compensation Committee determines to be appropriate.

Other Unit Based and Cash Awards

Other awards, denominated or payable in, valued in whole or in part by reference to or otherwise based on, or related to, common units, may be granted by the Compensation Committee, including convertible or exchangeable debt securities, other rights convertible or exchangeable into common units, purchase rights for common units and awards with value and payment contingent upon performance of our Partnership or any other factors designated by the Compensation Committee and awards valued by reference to the book value of our common units or the value of securities of or the performance of specified affiliates of our general partner or the Partnership.. The Compensation Committee determines the terms and conditions of such other unit based

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awards. Additionally, cash awards may also be granted by the Compensation Committee, either as an element of or supplement to another award or independent of another award.

Performance Award

A performance award is an award under which the participant's right to receive a grant and to exercise or receive a settlement of any award, and the vesting or timing of such award, is subject to performance conditions specified by the Compensation Committee. Performance conditions consist of one or more business criteria or individual performance criteria and a targeted level or levels of performance with respect to each criterion, as determined by the Compensation Committee. The achievement of performance conditions shall be measured over a performance period of up to ten years, as specified by the Compensation Committee. At the end of the applicable performance period, the Compensation Committee shall determine the amount, if any, of the potential performance award to which the recipient is entitled. The settlement of a performance award shall be in cash, common units or other awards or property at the discretion of the Compensation Committee.

Substitute Awards

Awards may be granted under the 2018 Plan in substitution for similar awards held by individuals who become participants of the 2018 Plan as a result of a merger or other transaction with the Partnership or an affiliate.

Change in Control

Upon a change of control of the Partnership or our general partner, the Compensation Committee may undertake one or more of the following actions, which may vary among individual holders and awards: (i) remove forfeiture restrictions on any award; (ii) accelerate the time of exercisability or lapse of a restricted period; (iii) provide for cash payment with respect to outstanding awards by requiring the mandatory surrender of all or some of outstanding awards; (iv) cancel awards that remain subject to a restricted period without payment to the recipient of the award; or (v) make certain adjustments to outstanding awards as the Compensation Committee deems appropriate.

If a director's membership on the Board of Directors of our general partner or an affiliate terminates for any reason, or an employee's employment with our general partner and its affiliates terminates for any reason, his or her unvested awards will be automatically forfeited unless, and then only to the extent that, our Compensation Committee or grant agreements provide otherwise.

The 2018 Plan became effective on the date of its approval by the Board of Directors of our general partner as of August 22, 2018. The 2018 Plan will continue in effect until the earliest of (i) the date determined by the Board of Directors of our general partner; (ii) the date that all common units available under the 2018 Plan have been delivered to participants; or (iii) the tenth anniversary of the approval of the 2018 Plan by the board. The authority of the Board of Directors or the Compensation Committee of our general partner's Board of Directors to amend or terminate any award granted prior to such termination, as well as the awards themselves, will extend beyond such termination date.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, the beneficial ownership of the common units of StoneMor as of March 15, 2019 held by beneficial owners of 5% or more of the units, if any, by directors and named executive officers of our general

partner and by all directors and executive officers of our general partner as a group. Unless otherwise indicated, the address for each unitholder is c/o

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StoneMor Partners L.P., 3600 Horizon Boulevard, Treviso, PA 19053. Unless otherwise indicated, the beneficial owner named in the table is deemed to have sole voting and sole dispositive power of the units set forth opposite such beneficial owner's name.

| Name of Beneficial Owner | Position | Amount of Beneficial Ownership | Percent of Class |
|--|--|--------------------------------------|------------------------|
| Joseph M. Redling | President Chief Executive Officer and a Director | 140,625 | * |
| Mark L. Miller | Chief Financial Officer and Senior Vice President | 17,971 | * |
| Austin K. So | General Counsel, Chief Legal Officer and Secretary | 4,766 | * |
| Robert B. Hellman, Jr. (1) | Chairman of the Board of Directors | 4,732,751 | 12.4 % |
| Martin R. Lautman, Ph.D. (2) | Director | 162,931 | * |
| Stephen J. Negrotti | Director | — | * |
| Leo J. Pound (3) | Director | 1,200 | * |
| Robert A. Sick | Director | — | * |
| Fenton R. Talbott (4) | Director | 18,435 | * |
| Patricia D. Wellenbach | Director | — | * |
| All current directors and officers as a group (11 persons) | | 5,088,924 | 13.3 % |
| Axar Capital Management, L.P. (5) 1330 Avenue of the Americas, 30th Floor, New York, NY 10019 | | 7,667,548 | 20.1 % |
| Oaktree Capital Management LP (6) 333 S Grand Ave, 28th FL, Los Angeles, CA 90071 | | 4,477,857 | 11.7 % |
| American Cemeteries Infrastructure Investors, LLC (2) 950 Tower Lane, Suite 800, Foster City, CA 94404 | | 2,364,162 | 6.2 % |

*Less than one percent

- (1) Mr. Hellman's beneficial ownership includes 35,711 common units held by Mr. Hellman directly, 2,332,878 common units held by StoneMor GP Holdings, LLC, and 2,364,162 common units held by American Cemeteries Infrastructure Investors, LLC, referred to as "ACII." AIM Universal Holdings, LLC, referred to as "AUH," is the sole manager of ACII. Ms. Judy Bornstein and Messrs. Matthew P. Carbone and Robert B. Hellman Jr. are managing members of AUH, collectively referred to as the "managing members." The managing members may be deemed to share voting and dispositive power over the common units held by ACII. ACII is owned by its members: American Infrastructure MLP Fund II, L.P., referred to as "AIM II," American Infrastructure MLP Founders Fund II, L.P., referred to as "AIM FFII," and AIM II Delaware StoneMor, Inc., referred to as "AIM II StoneMor." AIM II StoneMor is owned by American Infrastructure MLP Management II, L.L.C., referred to as "AIM Management II," and AIM II Offshore, L.P., referred to as "AIM II Offshore." AIM Management II is the general partner of AIM II, AIM FFII and AIM II Offshore. Mr. Hellman is a managing member of AIM Management II and the president of AIM II

StoneMor.

- (2) Includes 5,642 common units held by StoneMor GP Holdings, LLC, 3,500 common units held by Mr. Lautman's spouse, and 6,000 common units held in both the P. Lautman Trust, M. Lautman Trust and the J. Lautman Trust for the benefit of the director's children.
 - (3) Includes 100 common units held by Mr. Pound's spouse.
 - (4) Mr. Talbott pledged 18,435 common units as security for his assets managed accounts with Enterprise Trust Company.
 - (5) Information other than percentage of class beneficially owned is based on a Form 4 filed on March 18, 2019.
 - (6) Information other than percentage of class beneficially owned is based on a Schedule 13D filed on July 20, 2018.
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EQUITY COMPENSATION PLAN INFORMATION

The following table details information regarding our equity compensation plan as of December 31, 2018:

| | (a) | (b) | (c) |
|---|---|---|---|
| | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
| Plan Category | | | |
| Equity compensation plans approved by security holders—2004 | | | |
| Plan (1) | 219,306 | \$ 1.54 | 278,506 |
| Equity compensation plans approved by security holders—2018 | | | |
| Plan (2) | 1,122,601 | \$ — | 843,363 |
| Equity compensation plans not approved by security holders | n/a | n/a | n/a |
| Total | 1,341,907 | \$ 1.54 | 1,121,869 |

(1) Includes 219,306 restricted phantom units under the 2004 Plan. Although the 2004 Plan expired in September 2014 and we are unable to grant new awards under the 2004 Plan, phantom units granted under the 2004 Plan continue to accrue distribution equivalent rights each time we pay a distribution on our common units. Once phantom units vest, such phantom units as well as phantom units accrued in connection with distribution equivalent rights will be settled either in common units or cash, at our discretion.

(2)

Includes 703,125 restricted units and phantom units awarded or to be awarded under the 2018 Plan, a portion of which includes certain restricted units and phantom units to which the recipient would have been entitled but which had not yet been issued as of December 31, 2018 due to the Partnership's delinquent periodic report filings with the SEC. Column (c) is comprised of 2,000,000 units approved for issuance under the 2018 Plan, less the phantom unit and restricted unit awards awarded to date under the 2018 Plan. The 2018 Plan initially permits the grant of awards covering an aggregate of 2,000,000 common units, a number that the Board may increase by up to 100,000 common units per year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE INDEPENDENCE OF DIRECTORS

Even though most companies listed on the NYSE are required to have a majority of independent directors serving on the board of directors of the listed company, the NYSE does not require a listed limited partnership like us to have a majority of independent directors on the board of directors of its general partner.

RELATED PARTY TRANSACTIONS POLICY AND PROCEDURES

The Board of Directors of our general partner established the Conflicts Committee, which is authorized to exercise all of the power and authority of the Board of Directors in connection with investigating, reviewing and acting on matters referred or disclosed to it where a conflict of interest exists or arises and performing such other functions as the board may assign to the Conflicts Committee from time to time. Pursuant to the Conflicts Committee Charter, the Conflicts Committee is responsible for reviewing all matters involving a conflict of interest submitted to it by the Board of Directors or as required by any written agreement involving a conflict of interest to which we are a party. In approving or ratifying any transaction or proposed transaction, the Conflicts Committee determines whether the transaction complies with our policies on conflicts of interests.

DISTRIBUTIONS AND PAYMENTS TO OUR GENERAL PARTNER AND ITS AFFILIATES

We were formed as a Delaware limited partnership to own and operate cemetery and funeral home properties previously owned and operated by Cornerstone. The following table summarizes the distributions and payments to be made by us to our general partner and its affiliates in connection with our ongoing operation and any liquidation. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

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| | |
|---|--|
| Distributions of available cash to our general partner and its affiliates | <p>We have generally made cash distributions of approximately 98-99% to the unitholders, including our general partner, in respect of any common units that it may own, and approximately 1-2% to our general partner. As of March 15, 2019 our</p> <p>general partner’s ownership percentage of the Partnership was 1.04%. Our general partner also holds incentive distribution rights. Pursuant to such rights, if distributions per common unit exceed target distribution levels, our general partner will be entitled to increasing percentages of the distributions above each level, up to approximately 48% of the distributions above the highest level plus its general partnership percentage interest. See Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Distribution Policy.</p> |
| Payments to our general partner and its affiliates | <p>Our general partner and its affiliates do not receive any management fee or other compensation for the management of our business and affairs, but they are reimbursed for all expenses that they incur on our behalf, including general and administrative expenses and corporate overhead. As the sole purpose of the general partner is to act as our general partner, substantially all of the expenses of our general partner are incurred on our behalf and reimbursed by us or our subsidiaries. Our general partner determines the expenses that are allocable to us in good faith.</p> |
| Withdrawal or removal of our general partner | <p>If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests.</p> |
| Liquidation | <p>Upon our liquidation, the unitholders and our general partner will be entitled to receive liquidating distributions according to their respective capital account balances.</p> |

OWNERSHIP INTERESTS IN OUR GENERAL PARTNER; RELATIONSHIP WITH GP HOLDINGS

Our general partner, StoneMor GP, owns our general partner interest, our incentive distribution rights and common units representing limited partner interests in the Partnership. As of March 15, 2019 (i) Mr. Hellman, as Trustee of the Trust, for the pecuniary benefit of ACII, has exclusive voting and investment power over approximately 86.63% of membership interests in GP Holdings, the sole member of StoneMor GP, and (ii) Lawrence Miller, former Vice Chairman of the Board of Directors of StoneMor GP (6.53%, inclusive of family partnership holdings), William Shane, a former director of StoneMor GP (3.04%, inclusive of family partnership holdings), Allen Freedman, a former director of StoneMor GP (0.06%), Martin Lautman, a director of StoneMor GP (0.24%, along with Mr. Lautman’s spouse) and, Michael Stache and Robert Stache, retired executive officers of StoneMor GP (each owning 1.75% through trusts with their respective spouses, collectively hold approximately 13.37% of membership interests in GP Holdings.

RELATIONSHIP WITH ACII

On May 21, 2014, the Partnership sold to ACII, 2,255,947 common units (the "Common Units") representing limited partner interests in the Partnership (the "ACII Units") at an aggregate purchase price of \$55.0 million pursuant to a Common Unit Purchase Agreement (the "Common Unit Purchase Agreement"), dated May 19, 2014, by and between the Partnership and ACII. In connection with the consummation of this private placement transaction, on May 21, 2014, the Partnership and ACII also entered into a Registration Rights Agreement (the "Registration Rights Agreement") providing ACII with certain registration rights as described below.

Pursuant to the Common Unit Purchase Agreement, commencing with the quarter ending June 30, 2014, ACII is entitled to receive distributions equal to those paid on the Common Units generally. Through the quarter ended June 30, 2018, such distributions were payable in cash, Common Units issued to ACII in lieu of cash distributions (the "PIK Units"), or a combination of cash and PIK Units, as determined by the Partnership in its sole discretion. If the Partnership elected to pay distributions through the issuance of PIK Units, the number of Common Units issued in connection with a quarterly distribution was the quotient of (A) the amount of the quarterly distribution paid on the Common Units by (B) the volume-weighted average price of the Common Units for the thirty (30) trading days immediately preceding the date a quarterly distribution is declared with respect to the Common Units. The ACII Units will receive any future cash distributions on the same basis as all other Common Units and the Partnership will no longer have the ability to elect to pay quarterly distributions in kind through the issuance of PIK Units. The Partnership issued 78,342 PIK Units to ACII in lieu of cash distributions of \$0.7 million during the year ended December 31, 2017.

Pursuant to the Registration Rights Agreement, the Partnership was required to file a shelf registration statement (the "PIK Unit Registration Statement") with the SEC on or prior to June 5, 2014 to register the offer and sale by ACII of a good faith estimate

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of the total number of PIK Units that may be issued to ACII under the Common Unit Purchase Agreement, and use its commercially reasonable efforts to cause the PIK Unit Registration Statement to be declared effective as soon as practicable thereafter. The registration statement was declared effective on June 25, 2014 but, due to the Partnership's failure to timely file certain required reports with the SEC, ACII will not be able to use this registration statement to sell the shares registered thereunder until the Partnership has timely filed all reports it is required to file with the SEC under the Exchange Act for a period of twelve months. Since July 1, 2018, ACII has had the right to require the Partnership to prepare and file with the SEC a shelf registration statement (a "Demand Registration Statement") to register the offer and sale of (a) the ACII Units purchased by ACII pursuant to the Common Unit Purchase Agreement or (b) PIK Units issued to ACII pursuant to the Common Unit Purchase Agreement but not included in the PIK Unit Registration Statement.

The Registration Rights Agreement also includes piggy-back registration rights as well as indemnification and other provisions, which are customary for a transaction of this nature.

ACII is an affiliate of American Infrastructure Funds, L.L.C., an investment adviser registered with SEC. Mr. Hellman, a director of our general partner, is a managing member of American Infrastructure Funds, L.L.C. and he is affiliated with entities that own membership interests in ACII and the entity that is the manager of ACII. Mr. Hellman is also the sole Trustee (the "Trustee") under a Trust (the "Trust") established pursuant to a Voting and Investment Trust Agreement by and between ACII and Mr. Hellman, as Trustee, dated as of May 9, 2014, for the benefit of ACII. Jonathan Contos, a former director of our general partner through February 9, 2018, was a Principal of American Infrastructure Funds, L.L.C.

Messrs. Hellman, Contos and Sick elected to have all compensation pertaining to their services rendered on the Board of Directors paid directly to ACII.

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AGREEMENTS GOVERNING THE PARTNERSHIP

We, our general partner, our operating company and other parties have entered into various documents and agreements that effected the initial public offering transactions, including the vesting of assets in, and the assumption of liabilities by, us and our subsidiaries. These agreements are not the result of arm's-length negotiations, and we cannot assure you that they, or any of the transactions that they provide for, have been effected on terms at least as favorable to the parties to these agreements as could have been obtained from unaffiliated third parties. All of the transaction expenses incurred in connection with these transactions, including the expenses associated with transferring assets into our subsidiaries, have been paid from the proceeds of the initial public offering.

LOAN AGREEMENT WITH RELATED PARTY

On February 4, 2019, the Partnership entered into the Eighth Amendment with, among other parties, certain affiliates of Axar Capital Management (collectively, "Axar") to provide an up to \$35.0 million bridge financing in the form of the Tranche B Revolving Credit Facility, of which \$15.0 million was drawn down immediately. Borrowings under the financing arrangement are collateralized by a perfected first priority security interest in substantially all assets of the Partnership and the Borrowers held for the benefit of the existing Tranche A Revolving Lenders and bear interest at a fixed rate of 8.0%. Borrowings under Tranche B Revolving Credit Facility on the Eighth Amendment Effective Date are subject to an original issue discount in the amount of \$0.7 million, which was recorded as original issue discount and will pay additional interest in the amount \$0.7 million at the termination and payment in full of the financing arrangement, which will be accreted to interest expense over the term of the financing arrangement. As of March 12, 2019, Axar beneficially owned approximately 19.5% of the Partnership's outstanding common units. Axar also has exposure to an additional 1,462,272 Common Units pursuant to certain cash-settled equity swaps which mature on June 20, 2022 in accordance with information included in Axar's filing on Form 13D/A which was filed with the SEC on February 5, 2019. In addition, the Partnership's board of directors has separately approved an amendment to the voting and standstill agreement and director voting agreement with Axar to permit Axar to acquire up to 27.5% of the Partnership common units outstanding.

MERGER AND REORGANIZATION AGREEMENT

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

The completion of the Merger is subject to the satisfaction or waiver of customary closing conditions, including, without limitation: (a) approval of the Merger Agreement by the holders of a majority of the outstanding Common Units, (b) there being no law or injunction prohibiting the consummation of the Merger, (c) subject to specified materiality standards, the accuracy of the representations and warranties of the parties, (d) compliance by the parties in all material respects with their respective covenants, (e) the effectiveness of a registration statement on Form S-4, (f) the approval for listing of the Company Shares on the New York Stock Exchange or any other national securities exchange, (g) the amendment or modification of the Credit Agreement, dated as of August 4, 2016 among StoneMor

Operating LLC, the other borrowers party thereto, the lenders party thereto, Capital One, National Association, as administrative agent and the other agents party thereto (the "Credit Agreement") and any other documents entered into in connection with the Credit Agreement in a manner that permits the consummation of the Merger and the transactions contemplated by the Merger Agreement and (h) the Company's assumption of a long-term incentive plan as specified in the Merger Agreement. A change in control of the Partnership may be deemed to have occurred if the Merger is completed. For further information regarding the Merger and the Merger Agreement, see Note 1 General in Part II, Item 8. Financial Statements and Supplementary Data.

OMNIBUS AGREEMENT

On September 20, 2004, we entered into an omnibus agreement (the "Omnibus Agreement") with McCown De Leeuw, a private equity investment firm and a founder of Cornerstone, CFS, CFSI, our general partner and StoneMor Operating LLC.

Under the Omnibus Agreement, as long as our general partner is an affiliate of McCown De Leeuw, McCown De Leeuw will agree, and will cause its controlled affiliates to agree, not to engage, either directly or indirectly, in the business of owning and operating cemeteries and funeral homes (including the sales of cemetery and funeral home products and services) in the United States. On November 30, 2010, MDC IV Liquidating Trusts became successors to McCown De Leeuw, and McCown De Leeuw was subsequently terminated. The MDC IV Liquidating Trusts assumed and agreed to be bound by and perform all of the obligations and duties of McCown De Leeuw under the Omnibus Agreement.

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CFSI had agreed to indemnify us for all federal, state and local income tax liabilities attributable to the operation of the assets contributed by CFSI to us prior to the 2004 closing of the public offering. CFSI had also agreed to indemnify us against additional income tax liabilities, if any, that arise from the consummation of the 2004 transactions related to our formation in excess of those believed to result at the time of the 2004 closing of our initial public offering. We had estimated that \$600,000 of state income taxes and no federal income taxes would be due as a result of these formation transactions. CFSI had also agreed to indemnify us against the increase in income tax liabilities of our corporate subsidiaries resulting from any reduction or elimination of our net operating losses to the extent those net operating losses are used to offset any income tax gain or income resulting from the prior operation of the assets of CFSI contributed to us in 2004, or from our formation transactions in excess of such gain or income believed to result at the time of the 2004 closing of the initial public offering. Until all of its indemnification obligations under the Omnibus Agreement had been satisfied in full, CFSI was subject to limitations on its ability to dispose of or encumber its interest in our general partner or the common units held by it (except upon a redemption of common units by the partnership upon any exercise of the underwriters' over-allotment option) and would also be prohibited from incurring any indebtedness or other liability. An amendment to the Omnibus Agreement dated January 24, 2011 was entered into by all parties to the Omnibus Agreement (and after due consideration approved by our Conflicts Committee, which retained independent counsel; the committee was chaired by Mr. Carver). An accompanying certification by our general partner established that as of the date of the amendment, CFSI's indemnification obligations under the Omnibus Agreement were discharged and CFSI was no longer subject to the limitations and prohibition described above in this paragraph. Those indemnification obligations pertained to the taxable year 2004 of CFSI. To our knowledge, there has been no inquiry from or instigation of proceedings by any taxing authority, which could reasonably be expected to require indemnification under the Omnibus Agreement. We believe that all applicable statutes of limitations (including any extensions thereof) relating to the filing of all tax returns, which could reasonably be expected to require indemnification under the Omnibus Agreement have expired, except if there were certain omissions of gross income of more than 25% or fraud. Our general partner has certified to its knowledge there was no such omission or fraud. CFSI is also subject to certain limitations on its ability to transfer its interest in our general partner or the common units held by it if the effect of the proposed transfer would trigger an "ownership change" under the Internal Revenue Code that would limit our ability to use our federal net operating loss carryovers. Please read Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Income Taxes for more information.

The Omnibus Agreement may not be further amended without the prior approval of the Conflicts Committee if our general partner determines that the proposed amendment will adversely affect holders of our common units. Any further action, notice, consent, approval or waiver permitted or required to be taken or given by us under the indemnification provisions of the Omnibus Agreement as amended must be taken or given by the Conflicts Committee of our general partner.

MATTERS PERTAINING TO FORMER PRESIDENT AND CHIEF EXECUTIVE OFFICER

On October 12, 2018, a former President and Chief Executive Officer, Lawrence Miller, and the Partnership entered into a letter agreement (the "Agreement") that resolved the number of units that vested upon Mr. Miller's retirement as President and Chief Executive Officer in May 2017 pursuant to awards made under the Partnership's 2014 Long-Term Incentive Plan (the "Plan"). The parties agreed that a total of 22,644 time-based units and 63,836 performance-based units vested under such awards in accordance with the terms of the Separation Agreement dated March 27, 2017 between Mr. Miller and StoneMor GP (the "Separation Agreement"). The parties also agreed that a total of \$340,751.40 will be paid to Mr. Miller pursuant to distribution equivalent rights with respect to those units.

In connection with entering into the Agreement, Mr. Miller resigned as a director of StoneMor GP. The Partnership paid Mr. Miller his distribution equivalent rights in October 2018 and issued the vested units in February 2019, after it had filed all reports it is required to file under the Securities Exchange Act of 1934, as amended. The Agreement also included a customary release by Mr. Miller of any further claims with respect to the Plan, including the referenced awards, and any right to appoint a “Founder Director” under the terms of StoneMor GP’s Second Amended and Restated Limited Liability Company Agreement, as amended. During 2018, Mr. Miller received \$528,000 as additional cash severance pursuant to the terms of the Separation Agreement.

PARENTS OF SMALLER REPORTING COMPANIES

As a smaller reporting company, we are required to list all “parents” of the Partnership showing the basis of control and, as to each such parent, the percentage of voting securities owned or other basis of control by its immediate parent. For this purpose, a “parent” is an affiliate that, directly or indirectly through one or more intermediaries, controls an entity. For a discussion of certain governance relationships affecting control of the Partnership, see Item 10. Directors, Executive Officers and Corporate Governance---Partnership Structure and Management. The following persons are or may be deemed to be “parents” of the Partnership:

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| | |
|-------------------------------|--|
| Name | Basis of Control |
| StoneMor GP | General Partner |
| GP Holdings | Owner of 100% of the membership interests in the General Partner |
| Robert B. Hellman, Jr | Trustee of the Trust established under the Voting and Investment Trust Agreement by and between ACII and Mr. Hellman for the pecuniary benefit of ACII, in which capacity he has voting and investment power over approximately 86.63% of the membership interests in GP Holdings. |
| Axar Capital Management, L.P. | May be deemed a parent by virtue of its ownership of 7,667,548, or approximately 20.1%, of the Partnership's outstanding common units. |

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees paid or accrued for professional services rendered by Grant Thornton LLP for the audit of our annual financial statements for fiscal year 2018 and audit-related service and all other services rendered by Grant Thornton LLP and professional services rendered by Deloitte & Touche LLP for the audit of our annual financial statements for the fiscal year 2017 and audit-related service and all other services. Tax fees were rendered by Deloitte & Touche LLP for fiscal years 2018 and 2017.

| | Years Ended December 31, | |
|--------------------|--------------------------|-------------|
| | 2018 | 2017 |
| Audit fees | \$1,688,500 | \$2,668,693 |
| Audit-related fees | 318,675 | 183,264 |
| Tax fees | 367,828 | 426,075 |
| | \$2,375,003 | \$3,278,032 |

The category of "Audit fees" includes fees for our annual audit, quarterly reviews and services rendered in connection with regulatory filings with the SEC, such as the issuance of comfort letters and consents. The decrease in fees in 2018 was primarily the result of the audit work performed in 2017 due to the delayed filings.

The category of "Audit-related fees" includes fees for services related to employee benefit plan audits and accounting consultation.

The category of "Tax fees" includes fees for the consultation and preparation of federal, state, and local tax returns.

All above audit services, audit-related services and tax services were pre-approved by the Audit Committee, which concluded that the provision of such services by Grant Thornton LLP and Deloitte & Touche LLP was compatible with the maintenance of each firm's independence in the conduct of its auditing functions. The Audit Committee's outside auditor independence policy provides for pre-approval of all services performed by the outside auditors.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

(1) The following financial statements of StoneMor Partners L.P. are included in Part II, Item 8. Financial Statements and Supplementary Data:

Reports of Independent Registered Public Accounting Firms

Consolidated Balance Sheets as of December 31, 2018 and 2017

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

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

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

Notes to Consolidated Financial Statements

(2) Other schedules have not been included either because they are not applicable or because the information is included elsewhere in this Annual Report on Form 10-K.

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

Exhibit Index

Exhibit

Number Description

3.1* Certificate of Limited Partnership of StoneMor Partners L.P. (incorporated by reference to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 9, 2004 (Exhibit 3.1)).

3.2* Second Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P. dated as of September 9, 2008, as amended by Amendment No. 1 to Second Amended Agreement of Limited Partnership of StoneMor Partners L.P. dated as of November 3, 2017 (incorporated by reference to Exhibit 3.1 of Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2017).

4.1.1* Indenture, dated as of May 28, 2013, by and among StoneMor Partners L.P., Cornerstone Family Services of West Virginia Subsidiary, Inc., the guarantors named therein and Wilmington Trust, National Association, including Form of 7 7/8% Senior Note due 2021 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on May 28, 2013).

4.1.2* Registration Rights Agreement, dated as of May 28, 2013, by and among StoneMor Partners L.P., Cornerstone Family Services of West Virginia Subsidiary, Inc., the Initial Guarantors party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the initial purchasers listed on Schedule A to the Purchase Agreement (incorporated by reference to Exhibit 4.4 of Registrant's Current Report on Form 8-K filed on May 28, 2013).

- 4.1.3* Supplemental Indenture No. 1, dated as of August 8, 2014, by and among Kirk & Nice, Inc., Kirk & Nice Suburban Chapel, Inc., StoneMor Operating LLC, and Osiris Holding of Maryland Subsidiary, Inc., subsidiaries of StoneMor Partners L.P. (or its successor), and Cornerstone Family Services of West Virginia Subsidiary, Inc., the Guarantors under the Indenture, dated as of May 28, 2013, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
- 4.1.4* Supplemental Indenture No. 2, dated as of September 1, 2016, by and among StoneMor Wisconsin LLC, StoneMor Wisconsin Subsidiary LLC, subsidiaries of StoneMor Partners L.P., and Cornerstone Family Services of West Virginia Subsidiary, Inc., the Guarantors under the Indenture, dated as of May 28, 2013, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016).

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- 4.2* Registration Rights Agreement, dated as of May 21, 2014, by and between StoneMor Partners L.P. and American Cemeteries Infrastructure Investors, LLC (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on May 23, 2014).
- 10.1*† StoneMor Partners L.P. Long-Term Incentive Plan, as amended April 19, 2010 (incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement filed on June 4, 2010).
- 10.2*† Form of the Director Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
- 10.3*† Form of the Key Employee Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
- 10.4*† Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 27, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 1, 2006).
- 10.5*† Director Restricted Phantom Unit Agreement by and between StoneMor GP LLC and Robert Hellman dated June 23, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 23, 2009).
- 10.6*† Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
- 10.7*† Form of the Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
- 10.8*† Director Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.8 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).
- 10.9*† Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of April 2, 2012 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
- 10.10*† Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 7, 2012 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 13, 2012).
- 10.11*† Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of October 22, 2013 (incorporated by reference to Exhibit 10.7.11 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).

- 10.12*†Form of Director Restricted Phantom Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of November 11, 2014 (incorporated by reference to Exhibit 10.7.12 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2014).
- 10.13*†Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of December 31, 2015 by and between StoneMor GP LLC and David L. Meyers (incorporated by reference to Exhibit 10.7.15 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2015).
- 10.14*†Amended and Restated Employment Agreement, executed July 22, 2013 and retroactive to January 1, 2013, by and between StoneMor GP, LLC and Lawrence Miller (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 26, 2013).
- 10.15*†Form of Indemnification Agreement by and between StoneMor GP LLC and Lawrence Miller, Robert B. Hellman, Jr., Fenton R. Talbott, Martin R. Lautman, William Shane, Allen R. Freedman, effective September 20, 2004 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.16*†Form of Indemnification Agreement by and between StoneMor GP LLC and Howard Carver and Peter Grunebaum, effective February 16, 2007 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).

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- 10.17*†Form of Indemnification Agreement by and between StoneMor GP LLC and Leo J. Pound and Jonathan Contos, dated February 26, 2015 (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
- 10.18*†Settlement Agreement by and among StoneMor Indiana LLC, StoneMor Operating LLC, StoneMor Partners L.P., Chapel Hill Associates, Inc., Chapel Hill Funeral Home, Inc., Covington Memorial Funeral Home, Inc., Covington Memorial Gardens, Inc., Forest Lawn Memorial Chapel Inc., Forest Lawn Memory Gardens Inc., Fred W. Meyer, Jr. by James R. Meyer as Special Administrator to the Estate of Fred W. Meyer, Jr., James R. Meyer, Thomas E. Meyer, Nancy Cade, and F.T.J. Meyer Associates, LLC dated June 21, 2010 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on June 25, 2010).
- 10.19*†Omnibus Agreement by and among McCown De Leeuw & Co. IV, L.P., McCown De Leeuw & Co. IV Associates, L.P., MDC Management Company IV, LLC, Delta Fund LLC, Cornerstone Family Services LLC, CFSI LLC, StoneMor Partners L.P., StoneMor GP LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.4 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.20*†Amendment No. 1 to Omnibus Agreement entered into on, and effective as of, January 24, 2011 by and among MDC IV Trust U/T/A November 30, 2010, MDC IV Associates Trust U/T/A November 30, 2010, Delta Trust U/T/A November 30, 2010 (successors respectively to McCown De Leeuw & Co. IV, L.P., a California limited partnership, McCown De Leeuw IV Associates, L.P., a California limited partnership, Delta Fund LLC, a California limited liability company, and MDC Management Company IV, LLC, a California limited liability company), Cornerstone Family Services LLC, a Delaware limited liability company, CFSI LLC, a Delaware limited liability company, StoneMor Partners L.P., a Delaware limited partnership, StoneMor GP LLC, a Delaware limited liability company, for itself and on behalf of the Partnership in its capacity as general partner of the Partnership, and StoneMor Operating LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on January 28, 2011).
- 10.21*†Contribution, Conveyance and Assumption Agreement by and among StoneMor Partners L.P., StoneMor GP LLC, CFSI LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.22*†Letter Agreement by and between Austin So and StoneMor GP LLC, dated January 28, 2017 (incorporated by reference to Exhibit 10.36 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2016).
- 10.23* Lease Agreement, dated as of September 26, 2013, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC and StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P., solely in its capacity as guarantor (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 2, 2013).
- 10.24* Amendment No. 1 to Lease Agreement, dated as of March 20, 2014, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC and StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P., solely in its capacity as guarantor (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 26, 2014).

- 10.25* Amendment No. 2 to Lease Agreement, dated as of May 28, 2014, by and among StoneMor Operating, LLC, StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, the Archdiocese of Philadelphia, and StoneMor Partners L.P. (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).
- 10.26* Asset Sale Agreement dated April 2, 2014, by and among StoneMor Operating LLC, StoneMor Florida LLC, StoneMor Florida Subsidiary LLC, StoneMor North Carolina LLC, StoneMor North Carolina Subsidiary LLC, StoneMor North Carolina Funeral Services, Inc., Loewen [Virginia] LLC, Loewen [Virginia] Subsidiary, Inc., Rose Lawn Cemeteries LLC, Rose Lawn Cemeteries Subsidiary, Incorporated, StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, CMS West Subsidiary LLC, S.E. Funeral Homes of Florida, LLC, S.E. Cemeteries of Florida, LLC, S.E. Combined Services of Florida, LLC, S.E. Cemeteries of North Carolina, Inc., S.E. Funeral Homes of North Carolina, Inc., Montlawn Memorial Park, Inc., S.E. Cemeteries of Virginia, LLC, SCI Virginia Funeral Services, Inc., George Washington Memorial Park, Inc., Sunset Memorial Park Company and S.E. Mid- Atlantic Inc. (incorporated by reference to Exhibit 2.1 of Registrant's Current Report on Form 8-K filed on April 8, 2014).

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- 10.27† Asset Sale Agreement dated April 2, 2014, by and among StoneMor Operating LLC, StoneMor North Carolina LLC, StoneMor North Carolina Subsidiary LLC, Laurel Hill Memorial Park LLC, Laurel Hill Memorial Park Subsidiary, Inc., StoneMor Pennsylvania LLC, StoneMor Pennsylvania Subsidiary LLC, S.E. Cemeteries of North Carolina, Inc., Clinch Valley Memorial Cemetery, Inc., and S.E. Acquisition of Pennsylvania, Inc. (incorporated by reference to Exhibit 2.2 of Registrant's Current Report on Form 8-K filed on April 8, 2014).
- 10.28* Common Unit Purchase Agreement, dated as of May 19, 2014, by and between StoneMor Partners L.P. and American Cemeteries Infrastructure Investors, LLC (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 23, 2014).
- 10.29* Underwriting Agreement, dated April 15, 2016, by and among StoneMor Partners L.P., StoneMor GP LLC, StoneMor Operating LLC, and Raymond James & Associates, Inc., as representative of the underwriters named therein (incorporated by reference to Exhibit 1.1 of Registrant's Current Report on Form 8-K filed on April 20, 2016).
- 10.30* Letter Agreement by and between Austin So and StoneMor GP LLC, dated May 26, 2016 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).
- 10.31* Confidentiality, Nondisclosure and Restrictive Covenant Agreement by and between Austin So and StoneMor GP LLC, dated May 26, 2016 (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).
- 10.32* Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, entered into as of July 5, 2016, by and between StoneMor GP LLC and Lawrence Miller (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016).
- 10.33* Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, entered into as of July 5, 2016, by and between StoneMor GP LLC and Austin So (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016).
- 10.34* Credit Agreement, dated as of August 4, 2016, by and among StoneMor Operating LLC, the other Borrowers party thereto, the Lenders party thereto, Capital One, National Association, as Administrative Agent, Issuing Bank and Swingline Lender, Citizens Bank of Pennsylvania, as Syndication Agent, and TD Bank, N.A. and Raymond James Bank, N.A., as Co-Documentation Agents (incorporated by reference to Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016).
- 10.35* First Amendment to Credit Agreement, dated as of March 15, 2017, by and among StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 16, 2017).
- 10.36* Second Amendment and Limited Waiver to Credit Agreement, dated as of July 26, 2017, by and among StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 28, 2017).

- 10.37* Third Amendment and Limited Waiver to Credit Agreement, effective as of August 15, 2017, by and among StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on August 17, 2017).
- 10.38* Fourth Amendment to Credit Agreement dated as of September 29, 2017, by and among StoneMor Operating LLC, a Delaware limited liability company, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent and the Lenders party thereto (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 5, 2017).
- 10.39* Fifth Amendment to Credit Agreement, dated as of December 22, 2017 but effective as of September 29, 2017, by and among StoneMor Operating LLC, a Delaware limited liability company, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent and the Lenders party thereto (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on June 18, 2018).
- 10.40* Sixth Amendment and Waiver to Credit Agreement, effective as of June 12, 2018, by and among StoneMor Operating LLC, the other Borrowers party thereto, Capital One, National Association, as Administrative Agent, and the Required Lenders party thereto (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 18, 2018).

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

reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on March 2, 2018)

- 10.54*†Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of March 19, 2018 by and between StoneMor GP LLC and Mark L. Miller (2017 Award) (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 23, 2018).
- 10.55*†Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of March 19, 2018 by and between StoneMor GP LLC and Mark L. Miller (2018 Award) (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on March 23, 2018).
- 10.56*†Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of March 19, 2018 by and between StoneMor GP LLC and Austin K. So (2017 Award) (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on March 23, 2018).
- 10.57*†Key Employee Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, dated as of March 19, 2018 by and between StoneMor GP LLC and Austin K. So (2018 Award) (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on March 23, 2018).
- 10.58*†Executive Restricted Unit Agreement under the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, entered into as of March 19, 2018, by and between StoneMor GP LLC and Mark L. Miller (incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on March 23, 2018).

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- 10.59*†Form of 2017 Key Employee Unit Award Agreement under StoneMor Partners L.P. 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 of Registrant’s Current Report on Form 8-K filed on March 23, 2018).
- 10.60*†Form of Key Employee Unit Award Agreement under StoneMor Partners L.P. 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7 of Registrant’s Current Report on Form 8-K filed on March 23, 2018).
- 10.61*†Director Restricted Phantom Unit Agreement effective June 15, 2018 by and between StoneMor GP LLC and Patricia D. Wellenbach (incorporated by reference to Exhibit 10.4 of Registrant’s Current Report on Form 8-K filed on June 18, 2018).
- 10.62*†Director Restricted Phantom Unit Agreement effective June 15, 2018 by and between StoneMor GP LLC and Stephen J. Negrotti (incorporated by reference to Exhibit 10.5 of Registrant’s Current Report on Form 8-K filed on June 18, 2018).
- 10.63*†Indemnification Agreement effective June 15, 2018 by and between StoneMor GP LLC and Patricia D. Wellenbach (incorporated by reference to Exhibit 10.6 of Registrant’s Current Report on Form 8-K filed on June 18, 2018).
- 10.64*†Indemnification Agreement effective June 15, 2018 by and between StoneMor GP LLC and Stephen J. Negrotti (incorporated by reference to Exhibit 10.7 of Registrant’s Current Report on Form 8-K filed on June 18, 2018).
- 10.65*†Employment Agreement by and between Austin K. So and StoneMor GP LLC, dated June 15, 2018 (incorporated by reference to Exhibit 10.3 of Registrant’s Current Report on Form 8-K filed on June 18, 2018).
- 10.66*†Employment Agreement by and between Joseph M. Redling and StoneMor GP LLC, dated June 29, 2018 (incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on July 3, 2018).
- 10.67*†Executive Restricted Unit Award Agreement dated July 18, 2018 by and between StoneMor GP LLC and Joseph M. Redling (incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on July 24, 2018).
- 10.68*†Agreement dated July 26, 2018 by and between StoneMor GP LLC and Leo J. Pound (incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on July 30, 2018).
- 10.69*†Letter Agreement, dated September 5, 2018, by and between StoneMor GP LLC and Jeffrey DiGiovanni (incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on September 11, 2018).
- 10.70*†StoneMor Amended and Restated 2018 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of Registrant’s Current Report on Form 8-K filed on September 21, 2018).
- 10.71* Voting and Support Agreement, dated September 27, 2018, by and among StoneMor Partners L.P., StoneMor GP LLC, and the unitholders of StoneMor Partners L.P. named therein (incorporated by reference to Exhibit

10.1 of Registrant's Current Report on Form 8-K filed on September 28, 2018).

- 10.72*†Summary of Oral Agreement between StoneMor GP LLC and Leo J. Pound (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 12, 2018).
- 10.73*†Letter Agreement dated October 12, 2018 between StoneMor Partners L.P. and Lawrence Miller (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 12, 2018).
- 10.74* First Amendment to Voting and Support Agreement, dated February 4, 2019, by and among StoneMor Partners L.P., StoneMor GP LLC, and the unitholders of StoneMor Partners L.P. named therein (incorporated by reference to exhibit 10.1 of Registrant's Current Report on Form 8-K filed on February 4, 2019).
- 10.75 Merger and Reorganization Agreement, dated September 27, 2018, by and among StoneMor Partners L.P., StoneMor GP Holdings LLC, StoneMor GP LLC and Hans Merger Sub, LLC.
- 10.76*†StoneMor Amended and Restated 2019 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-k filed on April 2, 2019).
- 16.1* Letter from Deloitte & Touche LLP date December 6, 2018 (incorporated by reference to Exhibit 16.1 of Registrant's Current Report on Form 8-k filed on December 6, 2018).
- 21.1 Subsidiaries of Registrant.
- 23.1 Consent of Grant Thornton LLP.
- 23.2 Consent of Deloitte & Touche LLP.
- 31.1 Certification pursuant to Exchange Act Rule 13a-14(a) of Joseph M. Redling, President and Chief Executive Officer.

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- 31.2 Certification pursuant to Exchange Act Rule 13a-14(a) of Mark L. Miller, Chief Financial Officer and Senior Vice President.
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Joseph M. Redling, President and Chief Executive Officer (furnished herewith).
- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Mark L. Miller, Chief Financial Officer and Senior Vice President (furnished herewith).
- 99.1* Second Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of May 21, 2014, entered into by StoneMor GP Holdings, LLC (incorporated by reference to Exhibit 99.1 of Registrant's Current Report on Form 8-K filed on May 23, 2014).
- 99.2* Amendment No. 1, dated as of November 17, 2015, to the Second Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of May 21, 2014, entered into by StoneMor GP Holdings, LLC (incorporated by reference to Exhibit 99.2 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2015).
- 99.3* Amendment No. 2, dated as of May 17, 2017, to the Second Amended and Restated Limited Liability Company Agreement of StoneMor GP Holdings, LLC (incorporated by reference to Exhibit 99.3 of Registrant's Annual Report on Form 10-K filed on July 17, 2018).
- 99.4* Amendment No. 3, dated as of March 19, 2018, to the Second Amended and Restated Limited Liability Company Agreement of StoneMor GP Holdings, LLC (incorporated by reference to Exhibit 99.4 of Registrant's Annual Report on Form 10-K filed on July 17, 2018).
- 101 Attached as Exhibit 101 to this report are the following Interactive Data Files formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and 2016; (ii) Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015; (iii) Consolidated Statements of Partners' Capital; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015; and (v) Notes to the Consolidated Financial Statements. Users of this data are advised pursuant to Rule 401 of Regulation S-T that the information contained in the XBRL documents is unaudited and these are not the official publicly filed financial statements of StoneMor Partners L.P.

*Incorporated by reference, as indicated
Management contract, compensatory plan or arrangement
ITEM 16.FORM 10-K SUMMARY
Not applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STONEMOR PARTNERS L.P.

By: StoneMor GP LLC, its General Partner

April 2, 2019 By: /s/ Joseph M. Redling
Joseph M. Redling
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signatures | Title | Date |
|--|---|---------------|
| /s/ Joseph M. Redling Joseph M. Redling (Principal Executive Officer) | President and Chief Executive Officer | April 2, 2019 |
| /s/ Mark L. Miller Mark L. Miller (Principal Financial Officer) | Chief Financial Officer and Senior Vice President | April 2, 2019 |
| /s/ Jeffrey DiGiovanni Jeffrey DiGiovanni (Principal Accounting Officer) | Chief Accounting Officer | April 2, 2019 |
| /s/ Robert B. Hellman, Jr. Robert B. Hellman, Jr. | Director | April 2, 2019 |
| /s/ Martin R. Lautman, Ph.D. Martin R. Lautman, Ph.D. | Director | April 2, 2019 |
| /s/ Leo J. Pound Leo J. Pound | Director | April 2, 2019 |

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| | | |
|--|----------|---------------|
| /s/ Stephen J. Negrotti Stephen J. Negrotti | Director | April 2, 2019 |
| /s/ Robert A. Sick Robert A. Sick | Director | April 2, 2019 |
| /s/ Fenton R. Talbott Fenton R. Talbott | Director | April 2, 2019 |
| /s/ Patricia D. Wellenbach Patricia D. Wellenbach | Director | April 2, 2019 |