STONEMOR PARTNERS LP
Form 10-Q
August 07, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

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.)**
311 Veterans Highway, Suite B	
Levittown, Pennsylvania	**19056**
(Address of principal executive offices)	**(Zip Code)**

(215) 826-2800

(Registrant s telephone number, including area code)

Not Applicable

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

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

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

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The number of the registrant s outstanding common units at July 31, 2013 was 21,350,236.

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Part I Financial Information

Item 1. Financial Statements

StoneMor Partners L.P.

Condensed Consolidated Balance Sheet

(in thousands)

(unaudited)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 14,075	$ 7,946
Accounts receivable, net of allowance	54,396	51,895
Prepaid expenses	5,565	3,832
Other current assets	18,679	17,418
Total current assets	92,715	81,091
Long-term accounts receivable, net of allowance	77,297	71,521
Cemetery property	312,506	309,980
Property and equipment, net of accumulated depreciation	84,793	79,740
Merchandise trusts, restricted, at fair value	414,382	375,973
Perpetual care trusts, restricted, at fair value	302,773	282,313
Deferred financing costs, net of accumulated amortization	8,865	9,238
Deferred selling and obtaining costs	82,501	76,317
Deferred tax assets	381	381
Goodwill	47,570	42,392
Other assets	11,849	14,779
Total assets	$ 1,435,632	$ 1,343,725
Liabilities and partners capital		
Current liabilities:		
Accounts payable and accrued liabilities	$ 32,992	$ 28,973
Accrued interest	1,625	1,833
Current portion, long-term debt	6,936	2,175
Total current liabilities	41,553	32,981
Other long-term liabilities	1,616	1,835
Long-term debt	266,290	252,774
Deferred cemetery revenues, net	544,322	497,861
Deferred tax liabilities	12,554	14,910
Merchandise liability	127,875	125,869
Perpetual care trust corpus	302,773	282,313
Total liabilities	1,296,983	1,208,543

Commitments and contingencies		
Partners capital		
General partner	(893)	386
Common partners	139,542	134,796
Total partners capital	138,649	135,182
Total liabilities and partners capital	$ 1,435,632	$ 1,343,725

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

StoneMor Partners L.P.

Condensed Consolidated Statement of Operations

(in thousands, except per unit data)

(unaudited)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Revenues:				
Cemetery				
Merchandise	$ 28,669	$ 30,337	$ 55,321	$ 57,481
Services	11,072	11,265	22,371	23,347
Investment and other	12,005	12,051	22,248	23,475
Funeral home				
Merchandise	4,517	3,569	9,470	7,587
Services	6,159	4,286	12,624	9,205
Total revenues	62,422	61,508	122,034	121,095
Costs and Expenses:				
Cost of goods sold (exclusive of depreciation shown separately below):				
Perpetual care	1,500	1,415	2,781	2,782
Merchandise	6,212	5,821	11,221	10,874
Cemetery expense	15,408	14,775	28,193	27,567
Selling expense	12,218	13,123	23,442	24,910
General and administrative expense	7,898	7,195	15,480	14,388
Corporate overhead (including $360 and $210 in unit-based compensation for the three months ended June 30, 2013 and 2012, and $690 and $409 for the six months ended June 30, 2013 and 2012, respectively)	5,672	7,756	13,660	14,359
Depreciation and amortization	2,451	2,230	4,781	4,560
Funeral home expense				
Merchandise	1,703	1,107	3,225	2,530
Services	4,768	3,302	9,325	6,707
Other	2,893	2,206	5,550	4,134
Acquisition related costs, net of recoveries	(625)	782	658	1,113
Total cost and expenses	60,098	59,712	118,316	113,924
Operating profit	2,324	1,796	3,718	7,171
Gain (loss) on termination of operating agreement		(83)		1,737
Gain on settlement agreement, net	11,349		12,261	
Gain on acquisition		122		122
Loss on early extinguishment of debt	21,595		21,595	
Gain on sale of other assets	155		155	
Interest expense	5,132	4,870	10,595	9,836
Net loss before income taxes	(12,899)	(3,035)	(16,056)	(806)
Income tax expense (benefit)				
State	165	97	221	242

Federal	(1,255)	(963)	(2,268)	(909)
Total income tax benefit	(1,090)	(866)	(2,047)	(667)
Net loss	$ (11,809)	$ (2,169)	$ (14,009)	$ (139)
General partner s interest in net loss for the period	$ (218)	$ (43)	$ (258)	$ (3)
Limited partners interest in net loss for the period	$ (11,591)	$ (2,126)	$ (13,751)	$ (136)
Net loss per limited partner unit (basic and diluted)	$ (.54)	$ (.11)	$ (.67)	$ (.01)
Weighted average number of limited partners units outstanding (basic and diluted)	21,345	19,375	20,541	19,372
Distributions declared per unit	$ .595	$ .585	$ 1.185	$ 1.170

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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StoneMor Partners L.P.

Condensed Consolidated Statement of

Partners Capital

(in thousands)

(unaudited)

	Partners Capital		
	Common Unit Holders	General Partner	Total
Balance, December 31, 2012	$ 134,796	$ 386	$ 135,182
Proceeds from public offering	38,377		38,377
Issuance of common units	3,718		3,718
Compensation related to units awards	648		648
Net loss	(13,751)	(258)	(14,009)
Cash distribution	(24,246)	(1,021)	(25,267)
Balance, June 30, 2013	$ 139,542	$ (893)	$ 138,649

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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StoneMor Partners L.P.

Condensed Consolidated Statement of Cash Flows

(in thousands)

(unaudited)

	For the six months ended June 30, 2013	2012
Operating activities:		
Net loss	$ (14,009)	$ (139)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Cost of lots sold	4,194	3,979
Depreciation and amortization	4,781	4,560
Unit-based compensation	690	409
Accretion of debt discounts	1,011	723
Gain on termination of operating agreement		(1,737)
Gain on acquisition		(122)
Gain on sale of other assets	(155)	
Loss on early extinguishment of debt	21,595	
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(7,199)	(8,180)
Allowance for doubtful accounts	(83)	3,293
Merchandise trust fund	(22,611)	(1,917)
Prepaid expenses	(1,733)	(1,169)
Other current assets	(1,261)	(860)
Other assets	3,972	139
Accounts payable and accrued and other liabilities	3,677	348
Deferred selling and obtaining costs	(6,184)	(3,380)
Deferred cemetery revenue	33,766	23,699
Deferred taxes (net)	(2,356)	(1,000)
Merchandise liability	(1,612)	(4,451)
Net cash provided by operating activities	16,483	14,195
Investing activities:		
Cash paid for cemetery property	(2,252)	(3,600)
Purchase of subsidiaries	(9,100)	(3,426)
Cash paid for property and equipment	(3,920)	(1,835)
Proceeds from sales of other assets	155	
Net cash used in investing activities	(15,117)	(8,861)
Financing activities:		
Cash distribution	(25,267)	(23,563)
Additional borrowings on long-term debt	217,106	29,200
Repayments of long-term debt	(205,800)	(13,422)
Proceeds from public offering	38,377	
Fees paid related to early extinguishment of debt	(14,920)	
Cost of financing activities	(4,733)	(1,820)
Net cash provided by (used in) financing activities	4,763	(9,605)

Net increase (decrease) in cash and cash equivalents		6,129		(4,271)
Cash and cash equivalents - Beginning of period		7,946		12,058
Cash and cash equivalents - End of period	$	14,075	$	7,787
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest	$	9,754	$	9,048
Cash paid during the period for income taxes	$	3,132	$	3,655
Non-cash investing and financing activities:				
Acquisition of assets by financing	$	92	$	53
Issuance of limited partner units for cemetery acquisition	$	3,718	$	603
Acquisition of asset by assumption of directly related liability	$	3,924	$	544

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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

Nature of Operations

StoneMor Partners L.P. (StoneMor , the Company or the Partnership) is a provider of funeral and cemetery products and services in the death care industry in the United States. Through its subsidiaries, StoneMor offers a complete range of funeral merchandise and services, along with cemetery property, merchandise and services, both at the time of need and on a pre-need basis. As of June 30, 2013, the Partnership owned 258 and operated 276 cemeteries in 27 states and Puerto Rico and owned and operated 92 funeral homes in 18 states and Puerto Rico.

Basis of Presentation

The unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All interim financial data is unaudited. However, in the opinion of management, the interim financial data as of June 30, 2013 and for the three and six months ended June 30, 2013 and 2012 includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The results of operations for interim periods are not necessarily indicative of the results of operations to be expected for a full year. The December 31, 2012 condensed consolidated balance sheet data was derived from audited financial statements included in the Company s 2012 Annual Report on Form 10-K (2012 Form 10-K), but does not include all disclosures required by GAAP, which are presented in the Company s 2012 Form 10-K.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of each of the Company s subsidiaries. These statements also include the accounts of the merchandise and perpetual care trusts in which the Company has a variable interest and is the primary beneficiary. The Company operates 18 cemeteries under long-term operating or management contracts. The operations of 16 of these managed cemeteries have been consolidated in accordance with the provisions of Accounting Standards Codification (ASC) 810.

The Company operates 2 cemeteries under long-term operating agreements that do not qualify as acquisitions for accounting purposes. As a result, the Company did not consolidate all of the existing assets and liabilities related to these cemeteries. The Company has consolidated the existing assets and liabilities of each of these cemeteries merchandise and perpetual care trusts as variable interest entities since the Company controls and receives the benefits and absorbs any losses from operating these trusts. Under these long-term operating agreements, which are subject to certain termination provisions, the Company is the exclusive operator of these cemeteries. The Company earns revenues related to sales of merchandise, services, and interment rights and incurs expenses related to such sales and the maintenance and upkeep of these cemeteries. Upon termination of these contracts, the Company will retain all of the benefits and related contractual obligations incurred from sales generated during the contract period. The Company has also recognized the existing merchandise liabilities that it assumed as part of these agreements.

Use of Estimates

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

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2. LONG-TERM ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

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

	As of June 30, 2013	As of December 31, 2012
	(in thousands)	
Customer receivables	$ 172,320	$ 159,726
Unearned finance income	(19,929)	(18,377)
Allowance for contract cancellations	(20,698)	(17,933)
	131,693	123,416
Less: current portion, net of allowance	54,396	51,895
Long-term portion, net of allowance	$ 77,297	$ 71,521

Activity in the allowance for contract cancellations is as follows:

	For the six months ended June 30, 2013	2012
	(in thousands)	
Balance - Beginning of period	$ 17,933	$ 17,582
Provision for cancellations	10,651	9,791
Charge-offs - net	(7,886)	(7,356)
Balance - End of period	$ 20,698	$ 20,017

3. CEMETERY PROPERTY

Cemetery property consists of the following:

	As of June 30, 2013	As of December 31, 2012
	(in thousands)	
Developed land	$ 70,241	$ 71,318
Undeveloped land	162,746	162,275
Mausoleum crypts and lawn crypts	69,721	69,525
Other land	9,798	6,862
Total	$ 312,506	$ 309,980

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4. PROPERTY AND EQUIPMENT

Major classes of property and equipment follow:

	As of June 30, 2013	As of December 31, 2012
	(in thousands)	
Building and improvements	$ 88,278	$ 82,056
Furniture and equipment	44,336	42,353
	132,614	124,409
Less: accumulated depreciation	(47,821)	(44,669)
Property and equipment - net	$ 84,793	$ 79,740

Depreciation expense was $1.8 million and $3.5 million for the three and six months ended June 30, 2013, respectively, as compared to $1.7 million and $3.5 million during the same periods last year.

5. MERCHANDISE TRUSTS

At June 30, 2013, the Company s merchandise trusts consisted of the following types of assets:

- Money Market Funds that invest in low risk short term securities;
- Publicly traded mutual funds that invest in underlying debt securities;
- Publicly traded mutual funds that invest in underlying equity securities;
- Equity investments that are currently paying dividends or distributions. These investments include Real Estate Investment Trusts (REIT s), Master Limited Partnerships and global equity securities;
- Fixed maturity debt securities issued by various corporate entities;
- Fixed maturity debt securities issued by the U.S. Government and U.S. Government agencies; and
- Fixed maturity debt securities issued by U.S. states and local government agencies.

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

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

The Company has included $7.7 million and $7.6 million of investments held in trust by the West Virginia Funeral Directors Association at June 30, 2013 and December 31, 2012, respectively, in its merchandise trust assets. As required by law, the Company deposits a portion of certain funeral merchandise sales in West Virginia into a trust that is held by the West Virginia Funeral Directors Association. These trusts are recorded at their account value, which approximates their fair value.

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The cost and market value associated with the assets held in merchandise trusts at June 30, 2013 and December 31, 2012 were as follows:

As of June 30, 2013	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 50,280	$ 6	$	$ 50,286
Fixed maturities:				
U.S. Government and federal agency				
U.S. State and local government agency				
Corporate debt securities	9,067	78	(184)	8,961
Other debt securities	7,810		(7)	7,803
Total fixed maturities	16,877	78	(191)	16,764
Mutual funds - debt securities	110,875	20	(7,606)	103,289
Mutual funds - equity securities	139,974	12,583	(809)	151,748
Equity securities	73,537	6,990	(1,309)	79,218
Other invested assets	4,849	492		5,341
Total managed investments	$ 396,392	$ 20,169	$ (9,915)	$ 406,646
West Virginia Trust Receivable	7,736			7,736
Total	$ 404,128	$ 20,169	$ (9,915)	$ 414,382

As of December 31, 2012	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 27,890	$	$	$ 27,890
Fixed maturities:				
U.S. Government and federal agency				
U.S. State and local government agency				
Corporate debt securities	8,590	165	(41)	8,714
Other debt securities	4,320		(3)	4,317
Total fixed maturities	12,910	165	(44)	13,031
Mutual funds - debt securities	105,388	3,425	(892)	107,921
Mutual funds - equity securities	145,538	6,229	(6,697)	145,070
Equity securities	68,714	3,448	(4,755)	67,407
Other invested assets	7,376	165	(444)	7,097
Total managed investments	$ 367,816	$ 13,432	$ (12,832)	$ 368,416
West Virginia Trust Receivable	7,557			7,557

Total	$ 375,373	$ 13,432	$ (12,832)	$ 375,973

The contractual maturities of debt securities as of June 30, 2013 are as follows:

As of June 30, 2013	**Less than 1 year**	**1 year through 5 years**	**6 years through 10 years**	**More than 10 years**
		(in thousands)		
U.S. Government and federal agency	$	$	$	$
U.S. State and local government agency				
Corporate debt securities		4,131	4,830	
Other debt securities	6,518	1,285		
Total fixed maturities	$ 6,518	$ 5,416	$ 4,830	$

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An aging of unrealized losses on the Company s investments in fixed maturities and equity securities at June 30, 2013 and December 31, 2012 is presented below:

As of June 30, 2013	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 Months or more Fair Value	12 Months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses
			(in thousands)			
Fixed maturities:						
U.S. Government and federal agency	$	$	$	$	$	$
U.S. State and local government agency						
Corporate debt securities	5,599	176	309	8	5,908	184
Other debt securities	3,984	7			3,984	7
Total fixed maturities	9,583	183	309	8	9,892	191
Mutual funds - debt securites	93,810	6,637	7,575	969	101,385	7,606
Mutual funds - equity securites	57,015	457	4,228	352	61,243	809
Equity securities	8,838	524	5,956	785	14,794	1,309
Other invested assets						
Total	$ 169,246	$ 7,801	$ 18,068	$ 2,114	$ 187,314	$ 9,915

As of December 31, 2012	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 Months or more Fair Value	12 Months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses
			(in thousands)			
Fixed maturities:						
U.S. Government and federal agency	$	$	$	$	$	$
U.S. State and local government agency						
Corporate debt securities	2,140	20	297	21	2,437	41
Other debt securities	4,317	3			4,317	3
Total fixed maturities	6,457	23	297	21	6,754	44
Mutual funds - debt securites	6,388	463	4,198	429	10,586	892
Mutual funds - equity securites	48,255	5,500	19,655	1,197	67,910	6,697
Equity securities	17,932	1,527	15,538	3,228	33,470	4,755
Other invested assets	2,558	444			2,558	444
Total	$ 81,590	$ 7,957	$ 39,688	$ 4,875	$ 121,278	$ 12,832

A reconciliation of the Company s merchandise trust activities for the six months ended June 30, 2013 is presented below:

Fair Value @ 12/31/2012	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss	Taxes	Fees	Unrealized Change in Fair Value	Fair Value @ 6/30/2013

(in thousands)

$ 375,973	37,602	(20,454)	8,361	7,324	(2,722)	(1,356)	9,654	$ 414,382

The Company made net contributions into the trusts of approximately $17.1 million during the six months ended June 30, 2013. During the six months ended June 30, 2013, purchases and sales of securities available for sale included in trust investments were approximately $313.4 million and $324.2 million, respectively. Contributions include $4.9 million of assets that were acquired through acquisitions during the six months ended June 30, 2013.

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Other-Than-Temporary Impairments of Trust Assets

During the six months ended June 30, 2013, the Company determined that there were 4 securities with an aggregate cost basis of approximately $1.4 million and an aggregate fair value of approximately $0.7 million, resulting in an impairment of $0.7 million, wherein such impairment was considered to be other-than-temporary. During the three and six months ended June 30, 2012, the Company determined that there were six securities with an aggregate cost basis of approximately $1.6 million and an aggregate fair value of approximately $0.8 million, resulting in an impairment of $0.8 million, wherein such impairment was considered to be other-than-temporary. Accordingly, the Company adjusted the cost basis of these assets to their current value and offset this change against deferred revenue. This reduction in deferred revenue will be reflected in earnings in future periods as the underlying merchandise is delivered or the underlying service is performed.

During the three months ended June 30, 2013, the Company determined that there were no other than temporary impairments to the investment portfolio in the merchandise trusts.

6. PERPETUAL CARE TRUSTS

At June 30, 2013, the Company s perpetual care trusts consisted of the following types of assets:

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

Publicly traded mutual funds that invest in underlying debt securities;

Publicly traded mutual funds that invest in underlying equity securities;

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

Fixed maturity debt securities issued by various corporate entities;

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

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

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

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The cost and market value associated with the assets held in perpetual care trusts at June 30, 2013 and December 31, 2012 were as follows:

As of June 30, 2013	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 12,662	$	$	$ 12,662
Fixed maturities:				
U.S. Government and federal agency	408	95		503
U.S. State and local government agency				
Corporate debt securities	24,188	212	(464)	23,936
Other debt securities	371			371
Total fixed maturities	24,967	307	(464)	24,810
Mutual funds - debt securities	117,429	211	(3,407)	114,233
Mutual funds - equity securities	94,098	20,907		115,005
Equity securities	25,637	10,465	(39)	36,063
Other invested assets				
Total	$ 274,793	$ 31,890	$ (3,910)	$ 302,773

As of December 31, 2012	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 21,419	$	$	$ 21,419
Fixed maturities:				
U.S. Government and federal agency	408	104		512
U.S. State and local government agency				
Corporate debt securities	22,690	702	(101)	23,291
Other debt securities	371			371
Total fixed maturities	23,469	806	(101)	24,174
Mutual funds - debt securities	103,909	3,429	(150)	107,188
Mutual funds - equity securities	94,239	5,222	(249)	99,212
Equity securities	23,797	6,563	(455)	29,905
Other invested assets	113	302		415
Total	$ 266,946	$ 16,322	$ (955)	$ 282,313

The contractual maturities of debt securities as of June 30, 2013 are as follows:

As of June 30, 2013	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years

		(in thousands)		
U.S. Government and federal agency	$ 382	$ 121	$	$
U.S. State and local government agency				
Corporate debt securities	154	10,792	12,990	
Other debt securities	371			
Total fixed maturities	$ 907	$ 10,913	$ 12,990	$

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An aging of unrealized losses on the Company s investments in fixed maturities and equity securities at June 30, 2013 and December 31, 2012 held in perpetual care trusts is presented below:

As of June 30, 2013	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(in thousands)			
Fixed maturities:						
U.S. Government and federal agency	$	$	$	$	$	$
U.S. State and local government agency						
Corporate debt securities	13,959	441	897	23	14,856	464
Other debt securities						
Total fixed maturities	13,959	441	897	23	14,856	464
Mutual funds - debt securities	94,480	3,003	16,002	404	110,482	3,407
Mutual funds - equity securities						
Equity securities	1,098	39			1,098	39
Other invested assets						
Total	$ 109,537	$ 3,483	$ 16,899	$ 427	$ 126,436	$ 3,910

As of December 31, 2012	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(in thousands)			
Fixed maturities:						
U.S. Government and federal agency	$	$	$	$	$	$
U.S. State and local government agency						
Corporate debt securities	4,630	48	711	53	5,341	101
Other debt securities						
Total fixed maturities	4,630	48	711	53	5,341	101
Mutual funds - debt securities	859	35	870	115	1,729	150
Mutual funds - equity securities	34,805	249			34,805	249
Equity securities	4,269	238	545	217	4,814	455
Other invested assets						
Total	$ 44,563	$ 570	$ 2,126	$ 385	$ 46,689	$ 955

A reconciliation of the Company s perpetual care trust activities for the six months ended June 30, 2013 is presented below:

Fair Value @ 12/31/2012	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss	Taxes	Fees	Unrealized Change in Fair Value	Fair Value @ 6/30/2013

(in thousands)

$ 282,313	5,166	(6,118)	7,345	3,191	(637)	(1,100)	12,613	$ 302,773

The Company made net distributions from the trusts of approximately $1.0 million during the six months ended June 30, 2013. During the six months ended June 30, 2013, purchases and sales of securities available for sale included in trust investments were approximately $83.0 million and $84.2 million, respectively.

Other-Than-Temporary Impairments of Trust Assets

During the three and six months ended June 30, 2013 and 2012, the Company determined that there were no other than temporary impairments to the investment portfolio in the perpetual care trusts.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

A rollforward of goodwill by reportable segment is as follows:

	Southeast	Cemeteries Northeast	West (in thousands)	Funeral Homes	Total
Balance as of December 31, 2012	$ 6,174	$	$ 11,948	$ 24,270	$ 42,392
Goodwill acquired from acquisitions during the six months ended June 30, 2013				5,178	5,178
Balance as of June 30, 2013	$ 6,174	$	$ 11,948	$ 29,448	$ 47,570

Other Acquired Intangible Assets

The Company has other acquired intangible assets, most of which have been recognized as a result of acquisitions and long-term operating agreements. These amounts are included within other assets on the unaudited condensed consolidated balance sheet. All of the intangible assets are subject to amortization. The major classes of intangible assets are as follows:

	As of June 30, 2013			As of December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset
	(in thousands)					
Amortized intangible assets:						
Underlying contract value	$ 6,239	$ (624)	$ 5,615	$ 6,239	$ (555)	$ 5,684
Non-compete agreements	7,950	(3,332)	4,618	6,023	(2,553)	3,470
Other intangible assets	269	(89)	180	269	(81)	188
Total intangible assets	$ 14,458	$ (4,045)	$ 10,413	$ 12,531	$ (3,189)	$ 9,342

The increase in non-compete agreements was the result of an acquisition consummated in the first quarter of 2013. The fair value was determined by comparing the discounted cash flows of the acquired business with and without competition as of the date of acquisition. See Note 13 for further details.

8. LONG-TERM DEBT

The Company had the following outstanding debt:

	As of June 30, 2013	As of December 31, 2012
	(in thousands)	
7.875% Senior Notes, due 2021	$ 175,000	$
10.25% Senior Notes, due 2017		150,000

Revolving Credit Facility, due January 2017	91,002	101,700
Notes payable - acquisition debt	4,244	1,465
Notes payable - acquisition non-competes	4,695	3,830
Insurance and vehicle financing	2,889	1,298
Total	277,830	258,293
Less current portion	6,936	2,175
Less unamortized bond and note payable discounts	4,604	3,344
Long-term portion	$ 266,290	$ 252,774

This note includes a summary of material terms of the Company s senior notes and credit facility. For a more detailed description of the Company s long-term debt agreements, see the Company s 2012 Form 10-K. The increase in notes payable acquisition debt and acquisition non-competes was the result of an acquisition consummated in the first quarter of 2013. See Note 13 for further details.

7.875% Senior Notes due 2021

On May 28, 2013, the Company issued $175.0 million aggregate principal amount of 7.875% Senior Notes due 2021 (the Senior Notes). The Company pays 7.875% interest per annum on the principal amount of the Senior Notes, payable in cash semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2013. The net proceeds from the offering were used to retire 10.25% Senior Notes due 2017 and the remaining proceeds were used for general corporate purposes. The Senior Notes were issued at 97.832% of par resulting in gross proceeds of $171.2 million with an original issue discount of approximately $3.8 million. The Company incurred debt issuance costs and fees of approximately $4.2 million. These costs and fees are deferred and will be amortized over the life of these notes. Based on trades made at the end of the quarter, the Company has estimated the fair value of its Senior Notes to be below par and trading at a discount of 0.9%, which would imply a fair value of $173.4 million at June 30, 2013. As of June 30, 2013, the Company was in compliance with all applicable covenants of the Senior Notes.

10.25% Senior Notes due 2017

Prior to their retirement in the second quarter of 2013, the Company had outstanding a $150.0 million aggregate principal amount of 10.25% Senior Notes due 2017 (the Prior Senior Notes), with an original issue discount of approximately $4.0 million. The Company paid 10.25% interest per annum on the principal amount of the Prior Senior Notes, payable in cash semi-annually in arrears on June 1 and December 1 of each year. The Prior Senior Notes were due to mature on December 1, 2017. In the second quarter of 2013, the Company retired the notes using the proceeds from the Senior Notes offering described above. The Company made a tender offer to repurchase the Prior Senior Notes and paid $14.9 million to retire the Prior Senior Notes inclusive of the tender premium and accrued interest from the date of repurchase through December 1, 2013, the first redemption date for the Prior Senior Notes. In addition the Company incurred expenses of $6.7 million related to the refinancing event inclusive of $2.6 million of unamortized original issue discount and $4.1 million of unamortized capitalized debt issue costs related to the Prior Senior Notes.

Credit Facility

On January 19, 2012, the Company entered into the Third Amended and Restated Credit Agreement (the Credit Agreement). The terms of the Credit Agreement are substantially the same as the terms of the Second Amended and Restated Credit Agreement, as amended. Capitalized terms which are not defined in the following description shall have the meaning assigned to such terms in the Credit Agreement.

On February 19, 2013, the Company entered into the First Amendment to the Credit Agreement, which increased the total availability under the Revolving Credit Facility (the Credit Facility) by $10.0 million to $140.0 million (the Credit Facility) of which $91.0 million was outstanding at June 30, 2013. The Credit Facility may be used to finance working capital requirements, Permitted Acquisitions and Capital Expenditures. The maturity date of the Credit Facility is January 19, 2017.

On May 8, 2013, the Company entered into the Second Amendment to the Credit Agreement, which allowed the Company to incur additional indebtedness to be evidenced by the 2021 Senior Notes, to enter into the related indenture and to use the proceeds of the Senior Notes offering, in part, to fund the retirement of the Prior Senior Notes.

On June 18, 2013, the Company entered into the Third Amendment to the Credit Agreement. The Third Amendment amended certain financial covenants under the Credit Agreement as follows:

(i) for any most recently completed four fiscal quarters, consolidated EBITDA shall not be less than the sum of $57,822,000 plus 80% of the aggregate of all consolidated EBITDA for each Permitted Acquisition completed after March 31, 2013; and

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(ii) for the periods set forth below, Maximum Consolidated Leverage Ratio shall not be greater than as set forth below, subject to the Borrowers option to temporarily increase the Consolidated Leverage Ratio in connection with a Significant Permitted Acquisition Transaction as described below:

Measurement Period Ending	Maximum Consolidated Leverage Ratio
June 30, 2013 through December 31, 2013	4.000 to 1.0
March 31, 2014	3.875 to 1.0
June 30, 2014 and thereafter	3.750 to 1.0

The Third Amendment also increased the ranges of the Applicable Rates to 3.00%, 4.00%, and .800% for Base Rate loans, Eurodollar Rate Loans and Letter of Credit Fees, and Commitment Fees, respectively, when the Consolidated Leverage Ratio is greater than or equal to 3.75 to 1.0.

The Third Amendment also increased the amount of aggregate consideration that the Company may pay for a Permitted Acquisition after March 31, 2014, without Required Lender approval, to $10.0 million on an individual basis and $50.0 million when aggregated with the total Aggregate Consideration paid by or on behalf of the Company for all other Permitted Acquisitions which closed within the immediately preceding 365 days.

The Third Amendment added a defined term for Significant Permitted Acquisition Transaction to describe a Permitted Acquisition in which the Aggregate Consideration exceeds $35.0 million when aggregated with the total Aggregate Consideration for all other Permitted Acquisitions which closed within the immediately preceding 180 days. In the case of a Significant Permitted Acquisition Transaction, the Third Amendment permits the Borrowers, subject to certain limitations, to temporarily increase the Consolidated Leverage Ratio to 4.00 to 1.0 for one or more the four immediately succeeding covenant measurement periods.

In addition, the Third Amendment includes certain conforming changes to reflect the issuance of the Senior Notes.

At June 30, 2013, amounts outstanding under the Credit Facility bore interest at rates between 3.5% and 4.0%. Amounts borrowed may be either Base Rate Loans or Eurodollar Rate Loans and amounts repaid or prepaid during the term may be reborrowed. Depending on the type of loan, borrowings bear interest at the Base Rate or Eurodollar Rate, plus applicable margins ranging from 1.25% to 3.00% and 2.25% to 4.00%, respectively, depending on the Company s Consolidated Leverage Ratio. The Base Rate is the highest of the Prime Rate, the Federal Funds Rate plus 0.50%, or the Eurodollar Rate plus 1.0%. The Eurodollar rate is the British Bankers Association LIBOR Rate. Amounts outstanding under the Credit Facility approximate their fair value.

The Credit Agreement requires the Company to pay an unused Commitment Fee, which is calculated based on the amount by which the commitments under the Credit Agreement exceed the usage of such commitments. The Commitment Fee Rate ranges from 0.375% to 0.800% depending on the Company s Consolidated Leverage Ratio.

The Credit Agreement contains restrictive covenants that, among other things, prohibit distributions upon defined events of default, restrict investments and sales of assets and require the Company to maintain certain financial covenants, including specified financial ratios. A material decrease in revenues could cause the Company to breach certain of its financial covenants. Any such breach could allow the Lenders to accelerate the Company s debt which would have a material adverse effect on the Company s business, financial condition or results of operations. The Company s covenants include a Consolidated Leverage Ratio and a Consolidated Debt Service Coverage Ratio. As of June 30, 2013, the Company was in compliance with all applicable financial covenants.

9. INCOME TAXES

As of June 30, 2013, the Company s taxable corporate subsidiaries had federal net operating loss carryforwards of approximately $163.6 million, which will begin to expire in 2019 and $201.8 million in state net operating losses, a portion of which expires annually.

The Partnership is not a taxable entity for federal and state income tax purposes; rather, the Partnership s tax attributes (except those of its corporate subsidiaries) are to be included in the individual tax returns of its partners. Neither the Partnership s financial reporting income, nor the cash distributions to unit-holders, can be used as a substitute for the detailed tax calculations that the Partnership must perform annually for its partners. Net income from the Partnership is not treated as passive income for federal income tax purposes. As a result, partners subject to the passive activity loss rules are not permitted to offset income from the Partnership with passive losses from other sources.

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

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

The provision for income taxes for the three and six months ended June 30, 2013 and 2012 is based upon the estimated annual effective tax rates expected to be applicable to the Company for 2013 and 2012, respectively. The Company s effective tax rate differs from its statutory tax rate primarily because the Company s legal entity structure includes different tax filing entities, including a significant number of partnerships that are not subject to paying tax.

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

The Company is not currently under examination by any federal or state jurisdictions. The federal statute of limitations and certain state statutes of limitations are open from 2009 forward. Management believes that the accrual for tax liabilities is adequate for all open years. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. On the basis of present information, it is the opinion of the Company s management that there are no pending assessments that will result in a material effect on the Company s consolidated financial statements over the next twelve months.

10. DEFERRED CEMETERY REVENUES, NET

At June 30, 2013 and December 31, 2012, deferred cemetery revenues, net, consisted of the following:

	As of	
	June 30, 2013	**December 31, 2012**
	(in thousands)	
Deferred cemetery revenue	$ 376,027	$ 346,621
Deferred merchandise trust revenue	76,100	65,728
Deferred merchandise trust unrealized gains (losses)	10,254	600
Deferred pre-acquisition margin	132,987	132,221
Deferred cost of goods sold	(51,046)	(47,309)
Deferred cemetery revenues, net	$ 544,322	$ 497,861
Deferred selling and obtaining costs	$ 82,501	$ 76,317

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

11. COMMITMENTS AND CONTINGENCIES

Legal

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

Leases

At June 30, 2013, the Company was committed to operating lease payments for premises, automobiles and office equipment under various operating leases with initial terms ranging from one to ten years and options to renew at varying terms. Expenses under operating leases were $0.6 million and $1.3 million for the three and six months ended June 30, 2013, respectively, and $0.7 million and $1.3 million for the three and six months ended June 30, 2012, respectively.

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At June 30, 2013, operating leases will result in future payments in the following approximate amounts from January 1, 2014 and beyond:

	(in thousands)
2014	$ 1,504
2015	952
2016	844
2017	796
2018	778
Thereafter	1,751
Total	$ 6,625

12. PARTNERS CAPITAL

Unit-Based Compensation

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

Compensation expense recognized related to unit appreciation rights and restricted phantom unit awards for the three and six months ended June 30, 2013 and 2012 are summarized in the table below:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Unit appreciation rights	$ 140	$ 129	$ 279	$ 248
Restricted phantom units	220	81	411	161
Total unit-based compensation expense	$ 360	$ 210	$ 690	$ 409

As of June 30, 2013, there was approximately $0.4 million in non-vested unit appreciation rights outstanding. These unit appreciation rights will be expensed through the first half of 2017.

The diluted weighted average number of limited partners units outstanding presented on the unaudited condensed consolidated statement of operations does not include 335,547 units and 325,083 units for the three and six months ended June 30, 2013, respectively, as their effects would be anti-dilutive.

Other Unit Issuances

On February 19, 2013, the Company issued 159,635 units in connection with an acquisition. See Note 13. On June 21, 2013 and 2012, the Company issued 4,923 units and 9,853 units, respectively, in connection with an acquisition consummated in the second quarter of 2010. On June 6, 2012, the Company issued 13,720 units in connection with an acquisition. See Note 13.

On March 26, 2013, the Company completed a follow-on public offering of 1,610,000 common units at a price of $25.35 per unit. Net proceeds of the offering, after deducting underwriting discounts and offering expenses, were approximately $38.4 million. The proceeds from the offering were used to pay off debt on the Credit Facility.

13. ACQUISITIONS

First Quarter 2013 Acquisition

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

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

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

	Preliminary Assessment (in thousands)
Assets:	
Accounts receivable	$ 995
Property and equipment	8,315
Merchandise trusts, restricted, at fair value	4,853
Non-compete agreements	1,927
Total assets	16,090
Liabilities:	
Deferred margin	2,419
Merchandise liabilities	2,233
Total liabilities	4,652
Fair value of net assets acquired	11,438
Consideration paid - cash	9,100
Consideration paid - units	3,592
Fair value of note payable	3,000
Fair value of debt assumed for non-compete agreements	924
Total consideration paid	16,616
Goodwill from purchase	$ 5,178

First Quarter 2012 Acquisition

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

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

Kingwood, and acquisition accounting is now applicable.

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

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

Second Quarter 2012 Acquisitions

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

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

	Final Assessment (in thousands)
Assets:	
Accounts receivable	$ 72
Cemetery property	842
Property and equipment	518
Perpetual care trusts, restricted, at fair value	2,780
Non-compete agreements	12
Total assets	4,224
Liabilities:	
Perpetual care trust corpus	2,780

Other liabilities		24
Deferred tax liability		374
Total liabilities		3,178
Fair value of net assets acquired		1,046
Consideration paid		924
Gain on bargain purchase	$	122

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In addition, on June 6, 2012, certain subsidiaries of the Company (collectively the Buyer) entered into a Purchase Agreement with several individuals and Lodi Funeral Home, Inc. (collectively the Seller) to purchase certain assets and assume certain liabilities of Lodi Funeral Home, Inc., a California corporation and all of the stock of Lodi All Faiths Cremation, a California corporation. Through the purchase, the Buyer acquired two funeral homes in California including certain related assets, and assumed certain related liabilities. As part of the agreement, the building and underlying real estate of Lodi Funeral Home, Inc. is being leased from the Seller. The lease agreement is a ten year agreement that contains one five year renewal term at the Buyer s election. In addition, at the end of the original lease or renewal term, the Buyer can elect to purchase the property for fair value less 10% of any rental amounts previously paid under the lease agreement. The Buyer also has a right of first refusal related to any potential sale of the property occurring during the lease term.

In consideration for the net assets acquired, the Buyer paid the Seller \$0.85 million in cash and issued 13,720 units, which equates to \$0.35 million worth of units. The Buyer will also pay an aggregate amount of \$0.6 million in equal quarterly installments commencing on January 2, 2013 in exchange for non-compete agreements with the Seller.

The table below reflects the Company s final assessment of the fair value of net assets acquired. The resulting goodwill is recorded in the Company s Funeral Homes operating segment.

	Final Assessment (in thousands)
Assets:	
Property and equipment	$ 48
Merchandise trusts, restricted, at fair value	105
Underlying lease value	64
Non-compete agreements	40
Total assets	257
Liabilities:	
Merchandise liabilities	105
Total liabilities	105
Fair value of net assets acquired	152
Consideration paid - cash	850
Consideration paid - units	350
Fair value of debt assumed for non-compete agreements	544
Total consideration paid	1,744
Goodwill from purchase	$ 1,592

If the acquisitions from 2013 and 2012 had been consummated on January 1, 2012, on a pro forma basis, for the three and six months ended June 30, 2013 and 2012, consolidated revenues, consolidated net income (loss), and net income (loss) per limited partner unit (basic and diluted) would have been as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012

	(in thousands)		(in thousands)	
Revenue	$ 62,422	$ 62,779	$ 122,609	$ 123,981
Net income (loss)	(11,809)	(1,948)	(13,888)	353
Net income (loss) per limited partner unit (basic and diluted)	$ (.54)	$ (.10)	$ (.66)	$ .02

These pro forma results are unaudited and have been prepared for comparative purposes only and include certain adjustments such as increased interest on the acquisition of debt. They do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect on January 1, 2012 or of future results of operations of the locations. The Company s first quarter 2012 acquisition relates to the Amended Operating Agreement as noted above. Therefore, the results of operations for this property have been included in the Company s results since 2009.

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Since their respective dates of acquisition, the properties acquired in 2013 have contributed $1.1 million and $1.5 million of revenue and $0.4 million and $0.5 million of operating profit for the three and six months ended June 30, 2013. The properties acquired in the first half 2012 have contributed $0.9 million and $1.6 million of revenue and $0.3 million and $0.4 million of operating profit for the three and six months ended June 30, 2013.

First Quarter 2012 Contract Termination

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

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

The Company received payments of approximately $2.0 million from the Archdiocese as a result of the termination. Consequently, the Company recognized a gain of $1.7 million during the six months ended June 30, 2012, which is the amount by which the payments from the Archdiocese exceeded the value of the net assets transferred to the Archdiocese.

First and Second Quarter 2013 Settlement

During the six months ended June 30, 2013 the Company recovered $18.4 million, net of legal fees, costs, and contractual obligations related to the settlement of claims from locations that the Company acquired in 2010 and 2011. Of this amount $6.5 million was contributed directly to the related perpetual care and merchandise trusts on the Company s behalf. $3.4 million of these direct payments represent a gain on settlement agreement on the unaudited condensed consolidated statement of operations due to an increase in the merchandise trusts not previously accrued for in purchase accounting.

The Company received $11.9 million in cash proceeds from the settlement. Of this amount, $1.7 million and $1.3 million are for the reimbursement of legal fees and are recorded as recoveries to corporate overhead and acquisition related costs, respectively. The remaining proceeds were recorded as a gain on settlement agreement on the unaudited condensed consolidated statement of operations. The total gain on settlement for the six months ended June 30, 2013 was $12.3 million. Of the amounts noted above, $1.3 million, inclusive of a gain on settlement agreement of $0.9 million and $0.4 million of recovery of legal fees, was recognized during the first quarter of 2013.

14. SEGMENT INFORMATION

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

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

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

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

The Company s Corporate segment includes various home office selling and administrative expenses that are not allocable to the other operating segments.

Segment information is as follows:

As of and for the three months ended June 30, 2013:

	Southeast	Cemeteries Northeast	West	Funeral Homes (in thousands)	Corporate	Adjustment	Total
Revenues							
Sales	$ 24,767	$ 9,724	$ 12,284	$	$	$ (14,479)	$ 32,296
Service and other	8,474	5,754	6,611			(1,389)	19,450
Funeral home				11,983		(1,307)	10,676
Total revenues	33,241	15,478	18,895	11,983		(17,175)	62,422
Costs and expenses							
Cost of sales	5,399	2,658	2,088			(2,433)	7,712
Cemetery	6,987	3,885	4,536				15,408
Selling	7,932	3,435	3,669		461	(3,279)	12,218
General and administrative	4,216	1,608	2,074				7,898
Corporate overhead					5,672		5,672
Depreciation and amortization	584	233	525	749	360		2,451
Funeral home				9,498		(134)	9,364
Acquisition related costs, net of recoveries					(625)		(625)
Total costs and expenses	25,118	11,819	12,892	10,247	5,868	(5,846)	60,098
Operating profit	$ 8,123	$ 3,659	$ 6,003	$ 1,736	$ (5,868)	$ (11,329)	$ 2,324
Total assets	$ 546,851	$ 310,187	$ 419,902	$ 130,832	$ 27,860	$	$ 1,435,632
Amortization of cemetery property	$ 1,179	$ 737	$ 314	$	$	$ (304)	$ 1,926
Long lived asset additions	$ 1,416	$ 382	$ 746	$ 271	$ 717	$	$ 3,532
Goodwill	$ 6,174	$	$ 11,948	$ 29,448	$	$	$ 47,570

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As of and for the six months ended June 30, 2013:

	Southeast	Cemeteries Northeast	West	Funeral Homes (in thousands)	Corporate	Adjustment	Total
Revenues							
Sales	$ 46,637	$ 18,701	$ 22,044	$	$	$ (25,102)	$ 62,280
Service and other	19,580	12,305	15,741			(9,966)	37,660
Funeral home				24,810		(2,716)	22,094
Total revenues	66,217	31,006	37,785	24,810		(37,784)	122,034
Costs and expenses							
Cost of sales	9,774	4,526	3,598			(3,896)	14,002
Cemetery	12,959	7,118	8,116				28,193
Selling	15,144	6,593	6,762		833	(5,890)	23,442
General and administrative	8,202	3,192	4,086				15,480
Corporate overhead					13,660		13,660
Depreciation and amortization	1,112	455	1,065	1,409	740		4,781
Funeral home				18,421		(321)	18,100
Acquisition related costs, net of recoveries					658		658
Total costs and expenses	47,191	21,884	23,627	19,830	15,891	(10,107)	118,316
Operating profit	$ 19,026	$ 9,122	$ 14,158	$ 4,980	$ (15,891)	$ (27,677)	$ 3,718
Total assets	$ 546,851	$ 310,187	$ 419,902	$ 130,832	$ 27,860	$	$ 1,435,632
Amortization of cemetery property	$ 2,030	$ 1,358	$ 561	$	$	$ (338)	$ 3,611
Long lived asset additions	$ 2,326	$ 1,259	$ 1,258	$ 8,925	$ 748	$	$ 14,516
Goodwill	$ 6,174	$	$ 11,948	$ 29,448	$	$	$ 47,570

As of and for the three months ended June 30, 2012:

	Southeast	Cemeteries Northeast	West	Funeral Homes (in thousands)	Corporate	Adjustment	Total
Revenues							
Sales	$ 23,812	$ 9,545	$ 10,292	$	$	$ (9,535)	$ 34,114
Service and other	9,255	7,138	7,373			(4,227)	19,539
Funeral home				8,189		(334)	7,855
Total revenues	33,067	16,683	17,665	8,189		(14,096)	61,508
Costs and expenses							
Cost of sales	4,972	2,028	1,739		49	(1,552)	7,236
Cemetery	6,746	3,814	4,215				14,775
Selling	7,691	3,322	3,395		370	(1,655)	13,123
General and administrative	3,813	1,487	1,883		12		7,195
Corporate overhead					7,756		7,756

Depreciation and amortization	510	215	547	518	440		2,230
Funeral home				6,688		(73)	6,615
Acquisition related costs, net of recoveries					782		782
Total costs and expenses	23,732	10,866	11,779	7,206	9,409	(3,280)	59,712
Operating profit	$ 9,335	$ 5,817	$ 5,886	$ 983	$ (9,409)	$ (10,816)	$ 1,796
Total assets	$ 490,736	$ 291,245	$ 384,949	$ 79,938	$ 26,195	$	$ 1,273,063
Amortization of cemetery property	$ 1,022	$ 853	$ 275	$	$	$ (21)	$ 2,129
Long lived asset additions	$ 802	$ 825	$ 2,630	$ 401	$ 194	$	$ 4,852
Goodwill	$ 5,934	$	$ 11,948	$ 16,056	$	$	$ 33,938

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As of and for the six months ended June 30, 2012:

	Southeast	Cemeteries Northeast	West	Funeral Homes (in thousands)	Corporate	Adjustment	Total
Revenues							
Sales	$ 44,692	$ 18,003	$ 20,324	$	$	$ (17,882)	$ 65,137
Service and other	18,783	13,713	14,894			(8,224)	39,166
Funeral home				17,462		(670)	16,792
Total revenues	63,475	31,716	35,218	17,462		(26,776)	121,095
Costs and expenses							
Cost of sales							