

STONEMOR PARTNERS LP
Form 10-Q/A
September 13, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

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

For the quarterly period ended June 30, 2010

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: 000-50910

STONEMOR PARTNERS L.P.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

311 Veterans Highway, Suite B
Levittown, Pennsylvania
(Address of principal executive offices)

80-0103159
(I.R.S. Employer
Identification No.)

19056
(Zip Code)

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

Not Applicable

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

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of the registrant's outstanding common units at August 9, 2010 was 13,841,135.

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EXPLANATORY NOTE

StoneMor Partners L.P. (the Company) previously reported that, on September 8, 2010, management and the Audit Committee of the Board of Directors of StoneMor GP LLC, the Company's general partner, concluded that the unaudited condensed consolidated financial statements as of and for the three and six months ended June 30, 2010 originally filed with the Securities and Exchange Commissions on August 9, 2010 on its Quarterly Report on Form 10 Q for the quarter ended June 30, 2010 (the Original Filing) would be restated for an error that occurred due to a misinterpretation of business combination accounting rules. This Amendment on Form 10-Q/A (the Amended Filing) amends the Original Filing to reflect such restatement.

In the second quarter of 2010, the Company completed its assessment of the fair value of net assets acquired related to two long-term operating agreements entered into by the Company during the second quarter of 2009 (the Final Assessment) which were treated by the Company as acquisitions in accordance with Accounting Standards Codification 805 (ASC 805). The resulting change of the Final Assessment was an increase in the fair value of net assets acquired in excess of the purchase price of approximately \$4.6 million. Because the initial provisional value of the net assets acquired already exceeded the consideration transferred (a bargain purchase), this increase in the fair value of net assets acquired resulted in a gain of approximately \$4.6 million, of which \$0.4 million related to a purchase price adjustment in the prior year.

In the Original Filing, the Company recognized a \$4.2 million gain on acquisition in the second quarter of 2010 related to the Final Assessment. Per ASC 805, the Company should have retrospectively adjusted the provisional amounts originally recorded in the second quarter of 2009. Accordingly, the Original Filing reflected income in the form of a gain on acquisition in the second quarter of 2010 that should have been reflected in the Original Filing in the second quarter of 2009.

Details of the restatement of the financial statements are discussed in Note 1 of Part I, Item 1 of this Amended Filing.

As a result of the restatement in Part I, Item 1 of this Amended Filing, Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operation, is revised to incorporate all the revisions made to Part I, Item 1 as stated in the previous paragraph.

In accordance with Rule 12b-15 under the Exchange Act, each item of the Original Filing that is amended by this Amended Filing is also restated in its entirety, and this Amended Filing is accompanied by currently dated certifications on Exhibits 31.1, 31.2, 32.1 and 32.2 by the Company's Chief Executive Officer and Chief Financial Officer. Except as described above, this Amended Filing does not amend, update, or change any items, financial statements, or other disclosures in the Original Filing, and does not reflect events occurring after the filing of the Original Filing, including as to any exhibits to the Original Filing affected by subsequent events. Information not affected by the changes described above is unchanged and reflects the disclosures made at the time of the Original Filing. Accordingly, this Amended Filing should be read in conjunction with the Original Filing and our other SEC filings subsequent to the filing of the Original Filing, including any amendments to those filings. Capitalized terms not defined in the Amended Filing are as defined by the Original Filing.

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(in thousands)

	June 30, 2010 (unaudited)	December 31, 2009 (As restated, see Note 1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,450	\$ 13,479
Accounts receivable, net of allowance	43,102	37,113
Prepaid expenses	3,477	3,531
Other current assets	9,815	4,502
Total current assets	69,844	58,625
Long-term accounts receivable net of allowance	59,685	48,015
Cemetery property	294,120	240,277
Property and equipment, net of accumulated depreciation	85,448	51,520
Merchandise trusts, restricted, at fair value	266,909	203,829
Perpetual care trusts, restricted, at fair value	215,429	196,275
Deferred financing costs net of accumulated amortization	10,697	12,020
Deferred selling and obtaining costs	55,759	49,782
Deferred tax assets	519	451
Fair value of interest rate swap	559	
Other assets	5,847	1,864
Total assets	\$ 1,064,816	\$ 862,659
Liabilities and partners capital		
Current liabilities		
Accounts payable and accrued liabilities	\$ 24,190	\$ 26,574
Accrued interest	1,546	1,829
Current portion, long-term debt	523	378
Total current liabilities	26,259	28,781
Other long-term liabilities	5,731	2,912
Fair value of interest rate swap		2,681
Long-term debt	237,186	182,821
Deferred cemetery revenues, net	313,301	258,978
Deferred tax liabilities	28,348	4,907
Merchandise liability	104,076	65,883
Perpetual care trust corpus	215,429	196,275

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Total liabilities	930,330	743,238
Partners' capital		
General partner	2,155	1,986
General partner incentive distribution rights	6,199	
Common partner	126,132	117,434
Total partners' capital	134,486	119,420
Total liabilities and partners' capital	\$ 1,064,816	\$ 862,659

See Accompanying Notes to the Condensed Consolidated Financial Statements.

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(in thousands)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010 As restated, see note 1	2009 As restated, see note 1	2010 As restated, see note 1	2009 As restated, see note 1
Revenues:				
Cemetery				
Merchandise	\$ 24,031	\$ 23,456	\$ 42,826	\$ 42,732
Services	10,034	9,534	18,025	18,772
Investment and other	8,898	9,049	16,905	16,865
Funeral home				
Merchandise	2,363	2,320	4,862	4,929
Services	3,411	3,443	6,789	7,102
Total revenues	48,737	47,802	89,407	90,400
Costs and Expenses:				
Cost of goods sold (exclusive of depreciation shown separately below):				
Perpetual care	1,270	1,423	2,357	2,428
Merchandise	4,077	4,736	7,422	8,531
Cemetery expense	12,086	10,412	21,333	19,851
Selling expense	9,467	8,618	17,083	16,444
General and administrative expense	6,161	5,411	11,759	10,890
Corporate overhead (including \$177 and \$383 in unit-based compensation for the three months ended June 30, 2010 and 2009 and \$353 and \$757 for the six months ended June 30, 2010 and June 30, 2009)	5,605	5,497	10,694	10,863
Depreciation and amortization	1,799	1,708	3,657	3,018
Funeral home expense				
Merchandise	953	944	1,866	1,911
Services	2,247	2,296	4,335	4,702
Other	1,442	1,471	2,872	2,899
Acquisition related costs	1,666	542	2,656	2,128
Total cost and expenses	46,773	43,058	86,034	83,665
Operating profit (loss)	1,964	4,744	3,373	6,735
Other income and expense				
Gain on sale of funeral homes				475
Gain on acquisition		4,583	23,312	4,583
Increase in fair value of interest rate swap	1,568		3,239	
Interest expense	5,238	3,202	10,097	6,371
Income (loss) before income taxes	(1,706)	6,125	19,827	5,422

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Income taxes:				
State	27	39	55	201
Federal	(381)	(136)	(909)	(136)
Total income taxes	(354)	(97)	(854)	65
Net income (loss)	\$ (1,352)	\$ 6,222	\$ 20,681	\$ 5,357
General partner's interest in net income (loss) for the period	\$ (27)	\$ 124	\$ 286	\$ 107
General partner's IDR interest in net income (loss) for the period	\$	\$	\$ 6,382	\$
Limited partners' interest in net income (loss) for the period				
Common	\$ (1,325)	\$ 5,011	\$ 14,013	\$ 4,314
Subordinated	\$	\$ 1,087	\$	\$