UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(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, 2007

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)

Delaware	80-0103159
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

155 Rittenhouse Circle

Bristol, Pennsylvania	**19007**
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

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 August 9, 2007 was 4,795,780.

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Explanatory Note

We are filing this Amendment No. 1 on Form 10-Q/A (Amended 10-Q) to our quarterly report on Form 10-Q for the quarter ended June 30, 2007, initially filed with the Securities and Exchange Commission (SEC) on August 9, 2007 (Original 10-Q), along with amendments to our annual report on Form 10-K for the year ended December 31, 2006, initially filed with the SEC on March 19, 2007 and subsequently amended on April 30, 2007, and amendments to our quarterly reports on Forms 10-Q for the quarterly periods ended March 31, 2007 and September 30, 2007 (such Forms 10-K and 10-Q as amended, together with this Amended 10-Q, the Amended Reports), to correct immaterial errors recently discovered in these previously filed reports.

With respect to the Amended 10-Q, we are making immaterial corrections to the following information in Item 2., Management s Discussion and Analysis of Financial Condition and Results of Operations, of Part I of the Original 10-Q:

Description of Corrected Item	Previously Reported Number	Corrected Number
Interment rights (net of cancellations) sold during the six months ended June 30, 2007	11,700	12,500
Interment rights (net of cancellations) sold during the six months ended June 30, 2006	7,900	10,500
Burials performed during the six months ended June 30, 2006	12,600	12,700
Number of funeral home services performed during the three months ended June 30, 2006, as a component in the description of the change in funeral home revenues and expenses	392	282
Increase in operating profit attained during the three months ended June 30, 2007 compared to the three months ended June 30, 2006, as a component in the description of the change in net income	$3.6 million	$4.0 million
Decrease in deferred cemetery revenues, net, during the three months ended June 30, 2007	$1.5 million, or 0.7%, from $206.6 million as of March 31, 2007	$2.1 million, or 1.0%, from $207.5 million as of March 31, 2007
Addition in pre-need sales of cemetery merchandise and services, net of deferred costs and cancellations, to pre-need sales backlog during the three months ended June 30, 2007	$15.8 million	$16.1 million
Number of funeral home services performed during the six months ended June 30, 2006, as a component in the description of the change in funeral home revenues and expenses	734	624
Increase in borrowings on the revolving line of credit, as a component in the description of the change in interest expense, during the six months ended June 30, 2007 compared to the six months ended June 30, 2006	$4.5 million	$7.7 million
Increase in deferred cemetery revenues, net, during the six months ended June 30, 2007	$9.0 million, or 4.6%	$9.3 million, or 4.7%

Addition in pre-need sales of cemetery merchandise and services, net of deferred costs and cancellations, to pre-need sales backlog during the six months ended June 30, 2007 as compared to the six months ended June 30, 2006	$36.8 million, as compared to $26.2 million added during the six months ended June 30, 2006	$37.0 million, as compared to $25.1 million added during the six months ended June 30, 2006
Increase in net income, net of unit-based compensation, during the six months ended June 30, 2007 compared to the six months ended June 30, 2006, as a component in the description of the change in cash flow from operating activities	$2.3 million	$2.0 million
Maintenance capital expenditures (in thousands)	$1,628 for the six months ended June 30, 2006 compared to $2,008 for the six months ended June 30, 2007	$1,527 for the six months ended June 30, 2006 compared to $972 for the six months ended June 30, 2007
Expansion capital expenditures (in thousands)	$2,158 for the six months ended June 30, 2006 compared to $1,161 for the six months ended June 30, 2007	$3,352 for the six months ended June 30, 2006 compared to $2,197 for the six months ended June 30, 2007
Total capital expenditures (in thousands) for the six months ended June 30, 2006	$3,786	$4,879

We believe that the corrections made in the Amended Reports, including those corrections described above, are not, individually or in the aggregate, material to our business, financial condition or results of operations. Accordingly, we believe that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective to provide reasonable assurance that information we are required to disclose in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. Nonetheless, in light of the foregoing, we are reviewing our disclosure controls and procedures and intend to implement additional controls and procedures that we believe will enhance the effectiveness of our disclosure controls and procedures, including hiring an outside consultant to assist in the preparation of our annual report on Form 10-K for the year ending December 31, 2007 as well as hiring additional employees to assist with the preparation and filing of our financial statements and SEC reports.

We are also correcting the number of common units outstanding at August 9, 2007 to 4,795,780 from 4,795,750 as reported on the cover page to the Original 10-Q.

In addition, pursuant to the rules of the SEC, Item 6 of Part II of the Original 10-Q has been amended to contain currently dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(a) under the Securities Exchange Act of 1934, which certifications are filed herewith as Exhibits 31.1 and 31.2, respectively.

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This Amended 10-Q only amends and restates the number of outstanding common units on the cover page, Item 2 of Part I and Item 6 of Part II of the Original 10-Q to the extent described above, and no other information in the Original 10-Q is amended hereby. None of the items restated herein nor any other item in the Original 10-Q has been updated to reflect events, results or developments concerning our business, financial condition or results of operations occurring after the Original 10-Q or to modify or update those disclosures affected by subsequent events. Except for the foregoing amended items, this Amended 10-Q continues to describe conditions as of the date of the Original 10-Q. Among other things, and without limiting the foregoing, forward looking statements made in the Original 10-Q have not been revised to reflect events, results or developments that occurred or facts that became known to us after the date of the Original 10-Q, and such forward looking statements should be read in their historical context.

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Part I Financial Information

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

The words we, us, our, StoneMor, the Partnership, Company and similar words, when used in a historical context prior to the closing of t initial public offering of StoneMor Partners L.P. on September 20, 2004, refer to Cornerstone Family Services, Inc. (Cornerstone) (and, after its conversion, CFSI LLC) and its subsidiaries and thereafter refer to StoneMor Partners L.P. and its subsidiaries.

This discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q (including the notes thereto).

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q, including, but not limited to, information regarding the status and progress of StoneMor s operating activities, the plans and objectives of StoneMor s management, assumptions regarding StoneMor s future performance and plans, and any financial guidance provided, as well as certain information in other filings with the SEC and elsewhere, are forward-looking statements within the meaning of Section 27A(i) of the Securities Act of 1933 and Section 21E(i) of the Securities Exchange Act of 1934. The words believe, may, will, estimate, continues, anticipate, intend, project, expect predict, and similar expressions identify these statements. These forward-looking statements are made subject to certain risks and uncertainties that could cause actual results to differ materially from those stated, including, but not limited to, the following: future revenue and revenue growth; the impact of StoneMor s significant leverage on its operating plans; the ability of StoneMor to service its debt; StoneMor s 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; variances in death rates; variances in the use of cremation; changes in the political or regulatory environments, including potential changes in tax accounting and trusting policies; StoneMor s ability to successfully implement a strategic plan relating to producing operating improvement, strong cash flows and further deleveraging; uncertainties associated with the integration or the anticipated benefits of the acquisition of assets in September 2006, information disclosed within this Quarterly Report on Form 10-Q; and various other uncertainties associated with the deathcare industry and StoneMor s operations in particular.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements set forth in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2006. We assume no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by us, whether as a result of new information, future events or otherwise.

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Overview

On April 2, 2004, StoneMor Partners L.P. was created to own and operate the cemetery and funeral home business conducted by Cornerstone Family Services, Inc. (Cornerstone) and its subsidiaries. On September 20, 2004, in connection with the initial public offering by the Partnership of common units representing limited partner interests, Cornerstone contributed to the Partnership substantially all of the assets, liabilities and businesses owned and operated by it, and then converted into CFSI LLC, a limited liability company. This transfer represented a reorganization of entities under common control and was recorded at historical cost. In exchange for these assets, liabilities and businesses, CFSI LLC received 564,782 common units and 4,239,782 subordinated units representing limited partner interests in the Partnership.

Cornerstone was founded in 1999 by members of our management team and a private equity investment firm, which we refer to as McCown De Leeuw, in order to acquire a group of 123 cemetery properties and 4 funeral homes. Since that time, Cornerstone, succeeded by StoneMor, acquired 57 additional cemeteries and 22 funeral homes, built two funeral homes, exited from one management contract and sold one cemetery and one funeral home.

On September 20, 2004, StoneMor completed its initial public offering of 3,675,000 common units at a price of $20.50 per unit representing a 42.5% interest in us. On September 23, 2004, StoneMor sold an additional 551,250 common units to the underwriters in connection with the exercise of their over-allotment option and redeemed an equal number of common units from CFSI LLC at a cost of $5.3 million, making a total of 4,239,782 common units outstanding. Total gross proceeds from these sales were $86.6 million, before offering costs and underwriting discounts. The net proceeds to the Partnership, after deducting underwriting discounts but before paying offering costs, from these sales of common units was $80.8 million. Concurrent with the initial public offering, the Partnership s wholly owned subsidiary, StoneMor Operating LLC, and its subsidiaries, all as borrowers, issued and sold $80.0 million in aggregate principal amount of senior secured notes in a private placement and entered into a $12.5 million revolving credit facility and a $22.5 million acquisition facility with a group of banks, which were subsequently adjusted as discussed below. The net proceeds of the initial public offering and the sale of senior secured notes were used to repay the debt and associated accrued interest of approximately $135.1 million of CFSI LLC and $15.7 million of fees and expenses associated with the initial public offering and the sale of senior secured notes. The remaining funds have been used for general partnership purposes, including the construction of mausoleum crypts and lawn crypts, the purchases of equipment needed to install burial vaults and the acquisition of cemetery and funeral home locations.

We are an owner and operator of cemeteries in the United States of America. As of June 30, 2007, the Company operated 178 cemeteries in 21 states, located primarily in the eastern United States of America. The Company owns 172 of these cemeteries and operates the remaining 6 under long-term management agreements with cemetery associations that own the cemeteries. As a result of the agreements and other control arrangements, StoneMor consolidates the results of the 6 managed cemeteries in our historical consolidated financial statements.

StoneMor sells cemetery products and services both at the time of death, which the Company refers to as at-need, and prior to the time of death, which the Company refers to as pre-need. During the first six months of 2007, StoneMor performed approximately 14,800 burials and sold more than 12,500 interment rights (net of cancellations) compared to 12,700 and 10,500, respectively, for the same period of 2006.

Cemetery Operations

Sources of Revenues. Our results of operations are determined primarily by the volume of sales of products and services and the timing of product delivery and performance of services. We derive our revenues primarily from:

- at-need sales of cemetery interment rights, merchandise and services, which we recognize as revenues at the time of sale;
- pre-need sales of cemetery interment rights, which we generally recognize as revenues when we have collected 10% of the sales price from the customer;
- pre-need sales of cemetery merchandise, which we recognize as revenues when we satisfy the criteria specified below for delivery of the merchandise to the customer;

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- pre-need sales of cemetery services, other than perpetual care services, which we recognize as revenues when we perform the services for the customer;

- accumulated merchandise trust earnings related to the delivery of pre-need cemetery merchandise and the performance of pre-need cemetery services, which we recognize as revenues when we deliver the merchandise or perform the services;

- income from perpetual care trusts, which we recognize as revenues as the income is earned in the trust; and

- other items, such as interest income on pre-need installment contracts and sales of land.

Revenues from pre-need sales of cemetery merchandise and the related accumulated merchandise trust earnings are deferred until the merchandise is delivered to the customer, which generally means that:

- the merchandise is complete and ready for installation or, in the case of merchandise other than burial vaults, storage on third-party premises;

- the merchandise is either installed or stored at an off-site location, at no additional cost to us, and specifically identified with a particular customer, except as described below; and

- the risks and rewards of ownership have passed to the customer.

We generally satisfy these delivery criteria by purchasing the merchandise and either installing it on our cemetery property or storing it, at the customer s request, in third-party warehouses, at no additional cost to us, until the time of need. With respect to burial vaults, we install the vaults rather than storing them to satisfy the delivery criteria. When merchandise is stored for a customer, we may issue a certificate of ownership to the customer to evidence the transfer to the customer of the risks and rewards of ownership.

Deferred Cemetery Revenues, Net. Deferred revenues from pre-need sales and related merchandise trust earnings are reflected on our balance sheet in deferred cemetery revenues, net, until we recognize the amounts as revenues. Deferred cemetery revenues, net, also includes deferred revenues from pre-need sales that were entered into by entities we acquired prior to the time we acquired them. These entities include those that we acquired at the time of the formation of Cornerstone and other entities we subsequently acquired. We recognize revenues from these acquired pre-need sales in the manner described above that is, when we deliver the merchandise to, or perform the services for, the customer. Our profit margin on these pre-need sales is generally less than our profit margin on other pre-need sales because, in accordance with industry practice at the time these acquired pre-need sales were made, none of the selling expenses were recognized at the time of sale. As a result, we are required to recognize all of the expenses (including deferred selling expenses) associated with these acquired pre-need sales when we recognize the revenues from that sale. We recognize certain expenses, such as indirect selling costs, maintenance costs and general and administrative costs, at the time the pre-need sale is made and defer other expenses, such as direct selling costs and costs of goods sold, until we recognize revenues on the sale. As a result, our profit margin on current pre-need sales is generally higher than on the pre-need sales we acquired.

Funeral Home Operations

We also derive revenues from the sale of funeral home merchandise, including caskets and related funeral merchandise, and services, including removal and preparation of remains, the use of our facilities for visitation, worship and performance of funeral services and transportation services. These services and merchandise are sold by us almost exclusively at the time of need by salaried licensed funeral directors.

We generally include revenues from pre-need casket sales in the results of our cemetery operations. However, some states require that caskets be sold by funeral homes, and revenues from casket sales in those states are included in our funeral home results. We do not report the results of our funeral home operations as a separate business segment.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on the historical consolidated financial statements of StoneMor. We prepared these financial statements in conformity with Accounting Principles Generally Accepted in the United States of America. The preparation of these financial statements required us to make estimates, judgments and assumptions that affected the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We based our estimates, judgments and assumptions on historical experience and known facts and other assumptions that we believed to be reasonable under the circumstances. In future periods, we expect to make similar estimates, judgments and assumptions on the same basis as we have historically. Our actual results in future periods may differ from these estimates under different assumptions and conditions. We believe that the following accounting policies or estimates had or will have the greatest potential impact on our consolidated financial statements for the periods discussed and for future periods.

Revenue Recognition. At-need sales of cemetery interment rights, merchandise and services and at-need sales of funeral home merchandise and services are recognized as revenues when the interment rights or merchandise is delivered or the services are performed.

Revenues from pre-need sales of cemetery interment rights in constructed burial property are deferred until at least 10% of the sales price has been collected. Revenues from pre-need sales of cemetery interment rights in unconstructed burial property, such as mausoleum crypts and lawn crypts, are deferred until at least 10% of the sales price has been collected, at which time revenues are recognized using the percentage-of-completion method of accounting. The percentage-of-completion method of accounting requires us to estimate the percentage of completion as of the balance sheet date and future costs (including estimates for future inflation). Changes to our estimates of the percentage of completion or the related future costs would impact the amount of recognized and deferred revenues.

Revenues from pre-need sales of cemetery merchandise and services are deferred until the merchandise is delivered or the services are performed. Investment earnings generated by funds required to be deposited into merchandise trusts, including realized gains and losses, in connection with pre-need sales of cemetery merchandise and services are deferred until the associated merchandise is delivered or the services are performed.

We defer recognition of the direct costs associated with pre-need sales of cemetery products and services. Direct costs are those costs that vary with and are directly related to obtaining new pre-need cemetery business and the actual cost of the products and services we sell. Direct costs are expensed when the related revenues are recognized. Until that time, direct costs are reflected on our balance sheet in deferred cemetery revenues, net.

Allowance for Cancellations. Allowances for cancellations arising from non-payment of pre-need contracts are estimated at the date of sale based upon our historical cancellation experience. Due to the number of estimates and projections used in determining an expected cancellation rate and the possibility of changes in collection patterns resulting from modifications to our collection policies or contract terms, actual collections could differ from these estimates.

Impairment of Long-Lived Assets. We monitor the recoverability of long-lived assets, including cemetery property, property and equipment, merchandise and perpetual care trusts, 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. Our policy is to record an impairment loss in the period when it is determined that the sum of future undiscounted cash flows is less than the carrying value of the asset. Modifications to our estimates could result in our recording impairment charges in future periods.

Property and Equipment. Property and equipment is recorded at cost and depreciated on a straight-line basis. Maintenance and repairs are charged to expense as incurred, whereas additions and major replacements are capitalized and depreciated over the estimated useful life of the asset. We estimate that the useful lives of our buildings and improvements are 10 to 40 years, that the useful lives of our furniture and equipment are 5 to 10 years and that the useful lives of our leasehold improvements are the respective terms of the leases. These estimates could be impacted in the future by changes in market conditions or other factors.

Income Taxes. We make estimates and judgments to calculate some of our tax liabilities and determine the recoverability of some of our deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenues and expenses. We also estimate a reserve for deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized 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.

We expect to reduce the amount of our taxable income as a result of our treatment as a partnership for U.S. federal tax purposes. However, some of our operations will be continue to be conducted through corporate subsidiaries that will be subject to applicable U.S. federal and state income taxes. Accordingly, changes in our income tax plans and estimates may impact our earnings in future periods.

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As of December 31, 2006, the Company s taxable corporate subsidiaries had a federal net operating loss carryover of approximately $40.9 million, which will begin to expire in 2019. As of December 31, 2006, the Company also had a state net operating loss carry-forward of approximately $74.2 million, a portion of which expires annually. Our ability to use such federal net operating losses 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.

For additional information about, among other things, our pre-need sales, at-need sales, trusting requirements, cash flow, expenses and operations, please see Management s Discussion and Analysis of Financial Condition and Results of Operations and financial statements and notes thereto included in our annual report on Form 10-K/A for the fiscal year ended December 31, 2006 and our other reports and statements filed with the SEC.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board issued Interpretation 48, *Accounting for Uncertainty in Income Taxes: an Interpretation of FASB Statement No. 109* (*Interpretation 48*). Interpretation 48, which clarifies Statement 109, *Accounting for Income Taxes* , establishes the criterion that an individual tax position has to meet for some or all of the benefits of that position to be recognized in the Company s financial statements. On initial application, Interpretation 48 will be applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the more-likely-than-not recognition threshold at the adoption date will be recognized or continue to be recognized. The cumulative effect of applying Interpretation 48 will be reported as an adjustment to retained earnings at the beginning of the period in which it is adopted. Interpretation 48 was effective for fiscal years beginning after December 15, 2006. The adoption of Interpretation 48 did not have a significant effect on our financial statements or our ability to comply with its current debt covenants. See Note 8.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. FAS 157 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. FAS 157 does not expand or require any new fair value measures, however the application of this statement may change current practice. The requirements of FAS 157 are effective for our fiscal year beginning January 1, 2008. We are in the process of evaluating this guidance and therefore have not yet determined the impact that FAS 157 will have on our financial statements upon adoption.

In September 2006, the SEC released SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The SEC staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. The provisions of SAB 108 became effective beginning November 15, 2006. The impact of SAB 108 in the future depends on the nature and extent of any prior year misstatements.

In February 2007, the FASB issued SFAS No. 159, *Establishing the Fair Value Option for Financial Assets and Liabilities* , to permit all entities to choose to elect to measure eligible financial instruments at fair value. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157, *Fair Value Measurements* . An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. We are currently evaluating the impact of SFAS No. 159 on the consolidated financial statements.

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Results of Operations

The following table summarizes our results of operations for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
	2006	2007	2006	2007
	(in thousands)		(in thousands)	
Statement of Operations Data:				
Revenues:				
Cemetery	$ 27,163	$ 38,161	$ 52,355	$ 65,671
Funeral home	1,129	2,503	2,589	5,533
Total	28,292	40,664	54,944	71,204
Costs and Expenses:				
Cost of goods sold:				
Land and crypts	1,416	1,731	2,863	3,020
Perpetual care	847	952	1,583	1,840
Merchandise	1,416	3,000	2,689	4,727
Cemetery expense	6,366	7,876	12,002	14,660
Selling expense	5,772	8,471	11,419	14,715
General and administrative expense	3,086	3,693	6,150	7,431
Corporate overhead	4,426	4,951	8,234	10,233
Depreciation and amortization	925	915	1,746	1,789
Funeral home expense	961	2,045	2,054	4,148
Interest expense	1,782	2,132	3,515	4,178
Income taxes	215	235	668	451
Net income (loss)	$ 1,080	$ 4,663	$ 2,021	$ 4,012

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

	Three months ended June 30,		Six months ended June 30,	
	2006	2007	2006	2007
Operating Data:				
Interments Performed	6,216	7,108	12,588	14,748
Cemetery revenues per interment performed	$ 4,370	$ 5,369	$ 4,159	$ 4,453
Interment rights sold (1):				
Lots	4,341	5,325	6,476	10,132
Mausoleum crypts (including pre-construction)	618	557	1,184	1,262
Niches	113	187	229	333
Total interment rights sold	5,072	6,069	7,889	11,727
Number of contracts written	14,078	16,746	27,309	32,024
Aggregate contract amount, in thousands (excluding interest)	$ 30,136	$ 37,073	$ 58,264	$ 70,381
Average amount per contract (excluding interest)	$ 2,141	$ 2,214	$ 2,134	$ 2,198
Number of pre-need contracts written	6,555	8,124	12,797	14,969
Aggregate pre-need contract amount, in thousands (excluding interest)	$ 19,450	$ 24,710	$ 37,704	$ 45,844
Average amount per pre-need contract (excluding interest)	$ 2,967	$ 3,042	$ 2,946	$ 3,063
Number of at-need contracts written	7,523	8,622	14,512	17,055
Aggregate at-need contract amount, in thousands	$ 10,686	$ 12,363	$ 20,560	$ 24,537
Average amount per at-need contract	$ 1,420	$ 1,434	$ 1,417	$ 1,439

(1) Net of cancellations. Counts the sale of a double-depth burial lot as the sale of two interment rights.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Cemetery Revenues. Cemetery revenues were $38.2 million in the second quarter of 2007, an increase of $11.0 million, or 40.4%, as compared to $27.2 million in the second quarter of 2006. Cemetery revenues from pre-need sales, including interest income from pre-need installment contracts and investment income from trusts, were $26.8 million in the second quarter of 2007, an increase of $9.6 million, or 55.8%, as compared to $17.2 million in the second quarter of 2006. The increase primarily resulted from increased lot sales ($0.8 million), additional vault deliveries ($0.7 million), additional marker and marker base deliveries ($4.3 million), additional casket deliveries ($1.1 million) and additional crypt sales ($0.8 million). Total revenues from merchandise and perpetual care trusts for the second quarter of 2007 were $5.3 million, an increase of $1.5 million, or 39.5%, as compared to $3.8 million during the same period in 2006. The increase in trust revenues is a result of the increased product deliveries, as indicated above, and improved investment return of our trusts.

Cemetery revenues from at-need sales in the second quarter of 2007 were $11.3 million, an increase of $1.9 million, or 20.2%, as compared to $9.4 million in the second quarter of 2006. The increase in cemetery revenues from at-need sales was primarily attributable to higher sales of openings and closings of $0.4 million, higher sales of monument bases and markers of $0.9 million, higher sales of lots of $0.1 million, higher sales of mausoleums of $0.1 million and higher sales of vaults of $0.1 million.

Other cemetery revenues were $0.1 million in the second quarter of 2007, a decrease of $0.4 million, or 80.0%, as compared to $0.5 million in the second quarter of 2006. The decrease was related to a decrease in excess land sold of $0.3 million during the quarter as compared to the same quarter last year.

Costs of Goods Sold. Cost of goods sold was $5.7 million in the second quarter of 2007, an increase of $2.0 million, or 54.1%, as compared to $3.7 million in the second quarter of 2006 due to the composition of the items serviced during the period. As a percentage of cemetery revenues, cost of goods sold was 14.9% in the second quarter of 2007 an increase of 1.3% from 13.6% in the second quarter of 2006. The increase in cost of goods sold as a percentage of cemetery revenue was attributable to the increase to a change in product mix delivered in the second quarter of 2007.

Selling Expense. Total selling expense was $8.5 million in the second quarter of 2007, an increase of $2.7 million, or 46.6%, as compared to $5.8 million in the second quarter of 2006 due to the increase in sales commissions and other compensation expenses.

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Sales commissions and other compensation expenses contributed $6.5 million to total selling expense during the second quarter of 2007, an increase of $2.1 million, or 47.7%, compared to $4.4 million in the second quarter of 2006. As a percentage of pre-need sales, sales commissions and other compensation expenses were 24.3% in the second quarter of 2007, a decrease of 1.3% from the second quarter of 2006. This decrease in percentage is attributable to the fixed cost component of our selling expense being leveraged over a greater sales volume.

Cemetery Expense. Cemetery expense was $7.9 million in the second quarter of 2007, an increase of $1.5 million, or 23.4%, as compared to $6.4 million in the second quarter of 2006. This increase was primarily due to an increase in cemetery labor costs of $0.7 million, an increase in cemetery maintenance of $0.4 million and an increase in real estate taxes of $0.1 million.

General and Administrative Expense. General and administrative expense was $3.7 million in the second quarter of 2007, an increase of $0.6 million, or 19.4%, as compared to $3.1 million in the second quarter of 2006. The increase was primarily attributable to an increase in office salaries of $0.3 million and an increase in taxes and licenses of $0.1 million.

Funeral Home Revenues and Expenses. Funeral home revenues were $2.5 million in the second quarter of 2007, an increase of $1.4 million, or 127.3%, as compared to $1.1 million in the second quarter of 2006. The primary reason for the increase was an increase in the number of services performed, 749 in the second quarter of 2007 compared to 282 in the second quarter of 2006. Funeral home expenses were $2.0 million in the second quarter of 2007, an increase of $1.0 million, or 100.0%, as compared to $1.0 million in the second quarter of 2006. The majority of all increases in funeral home revenues and expenses were attributable to our acquisition of 14 funeral homes from Service Corporation International in September 2006.

Corporate Overhead. Corporate overhead was $4.8 million in the second quarter of 2007, an increase of $0.4 million, or 9.1%, as compared to $4.4 million in the second quarter of 2006. The increase was primarily attributable to $1.1 million in additional non-cash expenses resulting from a grant of unit-based compensation under our Long-Term Incentive Plan in November of 2006 which will be expensed over the vesting term in accordance with FAS 123R, partially offset by a decrease in professional fees of $0.5 million.

Depreciation and Amortization. Depreciation and amortization was $0.9 million in the second quarter of 2007, essentially unchanged from the second quarter of 2006.

Interest Expense. Interest expense was $2.1 million in the second quarter of 2007, an increase of $0.3 million, or 16.7%, as compared to $1.8 million in the second quarter of 2006. This increase was attributable to $17.4 million increase in debt outstanding at June 30, 2007.

Provision (Benefit) for Income Taxes. Provision for income taxes of $0.2 million in the second quarter of 2007 was relatively unchanged from the second quarter of 2006.

Net Income. Net income was $4.7 million during the second quarter of 2007, an increase of $3.6 million, or 327.3%, as compared to a net income of $1.1 million during the second quarter of 2006. The increase was primarily attributable to a $4.0 million increase in operating profit attained and is net of $1.2 million in non-cash expenses resulting from an equity grant under our Long-Term Incentive Plan in November of 2006 which we did not incur in the second quarter of 2006.

Deferred Cemetery Revenue, net. Deferred cemetery revenues, net, decreased $2.1 million, or 1.0% in the second quarter of 2007, from $207.5 million as of March 31, 2007 to $205.4 million as of June 30, 2007. In the comparable period in 2006, deferred cemetery revenues, net, increased $1.2 million, or 0.7%, from $173.0 million as of March 31, 2006 to $174.2 million as of June 30, 2006. The net decrease in the quarter ended June 30, 2007 was primarily attributable to an increase in sales of pre-need cemetery products and services that were not delivered or performed in the quarter ended June 30, 2007 and our September 2006 acquisition. In the three months ended June 30, 2007, we added $16.1 million in pre-need sales of cemetery merchandise and services, net of deferred costs and cancellations, to our pre-need sales backlog which was offset by revenues recognized, net of costs, of $17.2 million, including accumulated merchandise trust earnings related to the delivery and performance of pre-need cemetery merchandise and services. In the three months ended June 30, 2006, we added $11.6 million in pre-need sales of cemetery merchandise and services, net of deferred costs and cancellations, to our pre-need sales backlog which was offset by revenues recognized, net of costs, of $9.7 million, including accumulated merchandise trust earnings related to the delivery and performance of pre-need cemetery merchandise and services.

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Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Cemetery Revenues. Cemetery revenues were $65.7 million in the first six months of 2007, an increase of $13.3 million, or 25.4%, as compared to $52.4 million in the first six months of 2006. Cemetery revenues from pre-need sales, including interest income from pre-need installment contracts and investment income from trusts, were $42.7 million in the first six months of 2007, an increase of $10.3 million, or 31.8%, as compared to $32.4 million in the first six months of 2006. The increase primarily resulted from additional lot sales ($1.0 million), additional vault deliveries ($0.6 million), additional marker and marker base sales ($3.6 million), additional casket deliveries ($1.8 million), additional crypt sales ($0.8 million) and additional document fees ($0.1 million). An additional contribution to the increase in cemetery revenues from pre-need sales was higher accumulated earnings from merchandise trusts allocated to the pre-need products delivered during the first six months of 2007. Total revenues from merchandise and perpetual care trusts for the first six months of 2007 were higher by $2.0 million than the same period in 2006. The increase in trust revenues is a result of the increased product deliveries, as indicated above, and improved investment return of our trusts.

Cemetery revenues from at-need sales in the first six months of 2007 were $22.6 million, an increase of $4.0 million, or 21.5%, as compared to $18.6 million in the first six months of 2006. The increase in cemetery revenues from at-need sales was primarily attributable to higher sales of monument bases and markers of $1.5 million, higher sales of at-need interment rights of $1.3 million, higher mausoleum sales of $0.3 million and higher sales of lots of $0.3 million.

Other cemetery revenues were $0.4 million in the first six months of 2007, a decrease of $0.9 million, or 69.2%, from $1.3 million in the first six months of 2006. The decrease in other cemetery revenues was primarily attributable to a decrease in sales of undeveloped land for net proceeds of $0.7 million.

Costs of Goods Sold. Cost of goods sold was $9.6 million in the first six months of 2007, an increase of $2.5 million, or 35.2%, as compared to $7.1 million in the first six months of 2006. As a percentage of cemetery revenues, cost of goods sold increased to 14.6% in the first six months of 2006 from 13.5% in the first six months of 2006. The increase in cost of goods sold as a percentage of cemetery revenue was attributable to the change in product mix delivered in the first six months of 2007.

Selling Expense. Total selling expense was $14.7 million in the first six months of 2007, an increase of $3.3 million, or 28.9%, as compared to $11.4 million in the first six months of 2006. Sales commissions and other compensation expenses contributed $12.7 million to total selling expense during the first six months of 2007, an increase of $2.5 million, or 24.5%, compared to $10.2 million in the first six months of 2006. As a percentage of pre-need sales, sales commissions and other compensation expenses were 29.7% in the first six months of 2007, as compared to 31.6% in the first six months of 2006. This decrease in percentage is attributable to the fixed cost component of our selling expense being leveraged over a greater sales volume.

Cemetery Expense. Cemetery expense was $14.7 million in the first six months of 2007, an increase of $2.7 million, or 22.5%, as compared to $12.0 million in the first six months of 2006. This increase was primarily due to an increase in cemetery labor costs of $1.3 million, an increase in cemetery maintenance of $0.4 million, an increase in real estate taxes of $0.2 million, an increase in utilities of $0.2 million and an increase in building repairs and maintenance of $0.2 million.

General and Administrative Expense. General and administrative expense was $7.4 million in the first six months of 2007 an increase of $1.2 million, or 19.4%, as compared to $6.2 million in the first six months of 2006. The increase was primarily attributable to an increase in office salaries of $0.6 million and an increase in taxes, licenses of $0.1 million, regional overhead of $0.1 million and an increase in data processing costs of $0.2 million.

Funeral Home Revenues and Expense. Funeral home revenues were $5.5 million in the first six months of 2007, an increase of $2.9 million, or 111.5%, as compared to $2.6 million in the first six months of 2006. The primary reason for the increase was an increase in the number of services performed, 1,615 in the first six months of 2007 compared to 624 in the first six months of 2006. Funeral home expenses were $4.1 million in the first six months of 2007, an increase of $2.0 million, or 95.2%, as compared to $2.1 million in the first six months of 2006. The majority of all increases in funeral home revenue and expenses are attributable to our acquisition of 14 funeral homes from Service Corporation International in September 2006.

Corporate Overhead. Corporate overhead was $10.1 million in the first six months of 2007, an increase of $1.9 million, or 23.2%, as compared to $8.2 million in the first six months of 2006. The increase was primarily attributable to $2.3 million in additional non-cash expenses resulting from a grant of unit-based compensation under our Long-Term Incentive Plan in November of 2006 which will be expensed over the vesting term in accordance with FAS 123R, partially offset by a decrease in professional fees of $0.5 million.

Depreciation and Amortization. Depreciation and amortization was $1.7 million in the first six months of 2007, a decrease of $0.1 million, or 5.6%, as compared to $1.8 million in the first six months of 2006.

Interest Expense. Interest expense was $4.2 million in the first six months of 2007, an increase of $0.7 million, or 20.0%, as compared to $3.5 million in the first six months of 2006. This increase is attributable to an increase in outstanding borrowings on our acquisition line of credit of $9.9 million and an increase in borrowings on our revolving line of credit of $7.7 million.

Provision (Benefit) for Income Taxes. Provision for income taxes was $0.5 million in the first six months of 2007 as compared to a provision for income taxes of $0.7 million during the first six months of 2006. The change in provision for income taxes was primarily due to a decrease in operating profit in our non-qualified entities attained during the first six months of 2007.

Net Income(Loss). Net income was $4.0 million during the first six months of 2007, an increase of $2.0 million, or 100.0%, as compared to net income of $2.0 million during the first six months of 2006. The increase was primarily attributable to a $2.4 million increase in operating profit attained and is net of $1.2 million in non-cash expenses resulting from an equity grant under our Long-Term Incentive Plan in November of 2006 which we did not incur in the first six months of 2006.

Deferred Cemetery Revenue. Deferred cemetery revenues, net, increased $9.3 million, or 4.7%, in the first six months of 2007, from $196.1 million as of December 31, 2006 to $205.4 million as of June 30, 2007. In the comparable period in 2005, deferred cemetery revenues, net, increased $6.4 million, or 3.8% in the first six months of 2006, from $167.8 million as of December 31, 2005 to $174.2 million as of June 30, 2006. The net increase in the first six months of 2007 was primarily attributable to an increase in sales of pre-need cemetery products and services that were not delivered or performed in the first six months of 2007. We added $37.0 million in pre-need sales of cemetery merchandise and services, net of deferred costs and cancellations, to our pre-need sales backlog during the first six months of 2007 as compared to $25.1 million added during the first six months of 2006. These increases were offset by revenues recognized, net of costs, of $26.1 million, including accumulated merchandise trust earnings, during the first six months of 2007 related to the delivery and performance of pre-need cemetery merchandise and services as compared to $18.6 million of revenues recognized in the first six months of 2006.

Liquidity and Capital Resources

Overview. Our primary short-term operating liquidity needs are to fund general working capital requirements and maintenance capital expenditures. Our long-term operating liquidity needs are primarily associated with acquisitions of cemetery properties and the construction of mausoleum crypts and lawn crypts on the grounds of our cemetery properties. We may also construct funeral homes on the grounds of cemetery properties that we acquire in the future. Our primary source of funds for our short-term liquidity needs are cash flow from operations and income from perpetual care trusts. Our primary source of funds for long-term liquidity needs are long-term bank borrowings and the issuance of additional common units and other partnership securities, including debt, subject to the restrictions in our credit facility and under our senior secured notes.

We believe that cash generated from operations and our borrowing capacity under our credit facility, which is discussed below, will be sufficient to meet our working capital requirements, anticipated capital expenditures and scheduled debt payments for the foreseeable future. In 2007, we anticipate that we will spend $2.8 million for the construction of mausoleums. Additionally, we anticipate ongoing annual capital expenditure requirements of between approximately $1.7 million and $2.9 million for the foreseeable future, of which between $1.1 million and $2.1 million is for maintenance of our existing cemeteries and between $0.6 million and 0.8 million is for mausoleum and lawn crypt construction and other expansion, excluding acquisitions. The estimate for cemetery maintenance capital expenditures would increase if we were to acquire additional cemetery properties.

One of our goals is to grow through the acquisition of high-quality cemetery properties. On November 1, 2005, StoneMor acquired 22 cemeteries and six funeral homes from Service Corporation International (NYSE: SCI) for $12.93 million. StoneMor paid $7.03 million in cash and 280,952 StoneMor common units representing limited partner interests, representing the additional

$5.9 million. In addition, StoneMor assumed the merchandise and service liabilities associated with certain pre-arranged bonded contracts related to the properties. Additionally, on September 28, 2006, we completed the acquisition of 21 cemeteries and 14 funeral homes from Service Corporation International (NYSE: SCI) and certain other entities for $11.8 million. We paid $5.9 million in cash and 275,046 in common units representing limited partner interests, representing the additional $5.9 million. We acquired two additional cemeteries during the fourth quarter of 2006 with an aggregate purchase price of approximately $1.3 million.

Our ability to satisfy our debt service obligations, fund planned capital expenditures, make acquisitions and pay distributions to partners will depend upon our future operating performance. Our operating performance is primarily dependent on the sales volume of customer contracts, the cost of purchasing cemetery merchandise that we have sold, the amount of funds withdrawn from merchandise trusts and perpetual care trusts and the timing and amount of collections on our pre-need installment contracts.

Cash Flow from Operating Activities. Cash flows provided by operating activities were $9.7 million in the first six months of 2007 compared to cash flows provided by operating activities of $5.5 million during the first six months of 2006. Cash flows provided by operating activities in the first six months of 2007 increased from the cash flows provided by operating activities in the first six months of 2006 primarily due to an increase in net income of $2.0 million which is net of $2.3 million unit-based compensation, a $1.8 million increase in deferred cemetery revenue and a decrease in cash used to satisfy merchandise liabilities of $3.0 million, partially offset by an increase in cash used for accounts receivable of $5.0 million associated with an increase in pre-need contracts written during the first six months of 2007.

Cash Flow from Investing Activities. Net cash used in investing activities was $3.2 million in the first six months of 2007, an increase of $0.4 million, as compared to cash used in investing activities of $2.8 million in the first six months of 2006. This increase in cash used in investing activities was primarily attributable to the net proceeds from the $2.1 million sale of one of our funeral homes in the first six months of 2006 partially offset by decreases in cash used in the first six months of 2007 for additions to cemetery property of $1.3 million and for additions to property and equipment of $0.5 million . We did not sell any locations in the first six months of 2007.

Cash Flow from Financing Activities. Net cash used in financing activities was $4.9 million in the first six months of 2007 as compared to cash used in financing activities of $4.8 million in the first six months of 2006. The cash flow used in financing activities in the first six months of 2007 was primarily attributable to the February and May unit holder distributions of $9.2 million offset by increased net borrowings from our long-term debt facilities of $4.6 million. The cash flow used in financing activities in the first half of 2006 was primarily attributable to the February and May unit holder distributions of $8.5 million partially offset by increased borrowings from our revolving credit facility of $3.8 million.

Credit Facility. Concurrent with the closing of our initial public offering in September 2004, StoneMor Operating LLC, which is our operating company, and its present and future subsidiaries, all as borrowers, entered into a new $35.0 million credit agreement. The credit agreement consists of a $12.5 million revolving credit facility and a $22.5 million acquisition line of credit. Borrowings under our revolving credit facility were originally due and payable three years after the date of the credit agreement, and borrowings under the acquisition facility were originally due and payable four years after the date of the credit agreement. On September 28, 2006, we entered into a second amendment of the credit facility which extended the due date on both lines of credit to September 20, 2009. On May 7, 2007, the Company entered into a third amendment of the credit facility which adjusted the credit facility by increasing the revolving credit line to $17.5 million and reducing the acquisition line of credit to $17.5 million until June 29, 2007. On June 29, 2007, we entered into a fourth amendment of the credit facility which extended the adjustment period of the third amendment from June 29, 2007 to July 31, 2007. On July 31, 2007, we entered into a fifth amendment of the credit facility which extended the adjustment period of the third amendment from June 29, 2007 to August 15, 2007. We may prepay all loans under the credit agreement at any time without penalty, although our acquisition line may be subject to hedging arrangements with attendant termination fees. Any amounts repaid on the acquisition line cannot be reborrowed. We are required to reduce borrowings under our revolving credit facility that are designated for the purpose of funding a regularly scheduled quarterly distribution to the unitholders to not more than $5.0 million for a period of at least 30 consecutive days at least once during each consecutive 12-month period prior to the maturity of the revolving credit facility. As of June 30, 2007 we had outstanding borrowings of $12.6 million under our revolving credit line. As of June 30, 2007, we had $15.1 million outstanding under our acquisition line of credit from which we borrowed $5.25 million for the acquisition of 22 cemeteries and 6 funeral homes from Service Corporation International in November 2005 and $9.0 million for the acquisition of 21 cemeteries and 14 funeral homes from Service Corporation International, and certain other entities, in September 2006.

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The revolving credit facility is available for ongoing working capital needs, capital expenditures, distributions and general partnership purposes. Amounts borrowed and repaid under the revolving credit facility may be borrowed in an amount that does not exceed 80% of our eligible accounts receivable. Eligible accounts receivable are defined as gross accounts receivable represented by approved installment agreements for pre-need sales net of collection reserves, imputed interest earnings, funds due to perpetual care and merchandise trusts, unpaid sales commissions and other reserves as may be required by the agent for the lenders.

The acquisition facility is available to finance acquisitions of companies in our line of business that have been approved by our board of directors. We are required to obtain the approval of the requisite lenders for any acquisition exceeding $2.5 million and for any series of acquisitions exceeding $20.0 million in any consecutive 12 months, but this consent may not be unreasonably withheld. Interest under the acquisition facility is payable quarterly for the first 12 months after each borrowing. We will repay the then outstanding borrowings in equal quarterly installments based on a six-year amortization schedule, with the first quarterly principal payment beginning 15 months after each borrowing and subsequent quarterly principal payments continuing on each 3 month interval from the previous quarterly principal payment and with a balloon payment for any unpaid amount due at the maturity of the acquisition facility.

Borrowings under the credit agreement rank pari passu with all of our other senior secured debt, including the senior secured notes issued concurrently with our initial public offering, subject to the description of the collateral securing the credit agreement described below. Borrowings under the credit agreement are guaranteed by the partnership and our general partner.

Our obligations under the revolving facility are secured by a first priority lien and security interest in specified receivable rights, whether then owned or thereafter acquired, of the borrowers and the guarantors and by a first priority lien and security interest in substantially all assets other than those receivable rights of the borrowers and the guarantors, excluding trust accounts and certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts, our general partner s general partner interest in the partnership and our general partner s incentive distribution rights under our partnership agreement. These assets will secure the acquisition facility and our senior secured notes, as described below under Senior Secured Notes. The specified receivable rights include all accounts and other rights to payment arising under customer contracts or agreements (other than amounts required to be deposited into merchandise and perpetual care trusts) or management agreements, and all inventory, general intangibles and other rights reasonably related to the collection and performance of these accounts and rights to payment.

Our obligations under the acquisition facility are secured by a first priority lien and security interest in substantially all assets, whether then owned or thereafter acquired, other than specified receivable rights of the borrowers and the guarantors, excluding trust accounts and certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts, our general partner s general partner interest in the partnership and our general partner s incentive distribution rights under our partnership agreement, and a third party priority lien and security interest in those specified receivable rights of the borrowers and the guarantors. The senior secured notes will share pari passu in the collateral securing the acquisition facility.

Depending on the type of loan, indebtedness outstanding under the revolving credit facility bears interest at a rate based upon the Base Rate or the Eurodollar Rate plus an applicable margin ranging from 0.00% to 1.00% and 2.50% to 3.50% per annum, respectively, depending on our ratio of total debt to consolidated cash flow. The Base Rate is the higher of the federal funds rate plus .050% or the prime rate announced by Fleet National Bank, a Bank of America company. The Eurodollar Rate is to be determined by the administrative agent according to the new credit agreement. The interest will be determined and payable quarterly. We incur commitment fees ranging from 0.375% to 0.500% per annum, depending on our ratio of total debt to consolidated cash flow, determined and payable quarterly based on the unused amount of the credit facilities.

We are required to use the net cash proceeds from the sale of any assets, the incurrence of any indebtedness or the issuance of any equity interests in the partnership or any subsidiary of the partnership to repay amounts outstanding under the credit agreement and our senior secured notes, pro rata based on the percentage share of the aggregate amounts outstanding, provided that we may use the proceeds from the sale of any assets to purchase capital assets or fund permitted acquisitions within 180 days of such sale and we may use the proceeds from any issuance of equity interests by the partnership to fund permitted acquisitions to the extent such equity interests are issued in connection with a permitted acquisition that is completed within 180 days before or after the receipt of such proceeds.

The credit agreement prevents us from declaring dividends or distributions if any event of default, as defined in the new credit agreement, occurs or would result from such declaration. The following will be an event of default under the credit agreement:

- failure to pay any principal, interest, fees, expenses or other amounts when due;

failure of any of our representations and warranties to be materially correct;

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- failure to observe any covenant included in the credit agreement beyond specified cure periods in specified cases;
- the occurrence of a default under other indebtedness of the partnership, our general partner, our operating company or any of our other subsidiaries;
- the occurrence of specified bankruptcy or insolvency events involving the partnership, our operating company, our general partner or our other subsidiaries;
- a change of control; or
- the entry of judgments against the partnership, our general partner, our operating company or any of our other subsidiaries in excess of certain allowances.

Change of control is defined in the credit agreement as the occurrence of any of the following events:

- any two of our chairman, chief executive officer or chief financial officer on the date of the credit agreement cease to hold such positions unless approved by the lenders under the credit agreement;
- any person or group that did not hold any equity interests in the general partner or the partnership on the date of the credit agreement acquires 20% or more of the equity interests in the partnership or the general partner;
- the general partner ceases to be our sole general partner;
- the partnership ceases to own 100% of the operating company; or
- the operating company ceases to own 100% of the other borrowers.

The credit agreement contains financial covenants requiring us to maintain, on a rolling four-quarter basis:

- a ratio of consolidated cash flow, as defined in the credit agreement, to consolidated interest expense of not less than 3.5 to 1.0 for the four most recent quarters;
- a ratio of total funded debt on the last day of each quarter to consolidated cash flow of not more than 3.5 to 1.0 for the four most recent quarters (except as described below); and
- consolidated cash flow of at least $21.0 million. Our minimum consolidated cash flow will be increased by 80% of any consolidated cash flow acquired in an acquisition.

The credit agreement was amended in November 2004 to amend the leverage ratio from 3.5 to 1 to 3.75 to 1 until September 30, 2005 at which time it reverted back to 3.5 to 1. As of June 30, 2007, the Company was in compliance with all debt covenants.

For purposes of determining our compliance with the covenants described above, total funded debt includes all indebtedness for borrowed money (except that if we reduce borrowings under our revolving credit facility that are designated for the purpose of funding a regularly scheduled quarterly distribution to unitholders to not more than $5.0 million for a period of at least 30 consecutive days at least once during each consecutive 12-month period prior to the maturity of the revolving credit facility, then the amount of outstanding revolving loans to be included in total funded debt will be an amount not to exceed $5.0 million), purchase money indebtedness, obligations under letters of credit, capitalized leases, if any, and the deferred purchase price of any property or services. Consolidated cash flow is based on our adjusted EBITDA and is defined in the credit agreement as net income plus, among other things:

- interest expense;
- taxes;
- depreciation and amortization;
- non-cash cost of land and crypts;
- extraordinary losses;
- other non-cash items;
- increase (decrease) in deferred cemetery revenues, net (excluding deferred margin);
- increase (decrease) in accounts receivable;
- increase (decrease) in merchandise liability; and
- increase (decrease) in merchandise trust (excluding any change in trust income receivable).

Consolidated cash flow is adjusted to exclude, among other things, extraordinary gains, gains from sales of assets outside the ordinary course of business and non-cash items.

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The credit agreement limits the ability of the partnership, our general partner, our operating company and any of our other subsidiaries, among other things, to:

- enter into a new line of business;
- 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 certain leases;
- enter into transactions with affiliates; and
- make voluntary payments or modifications of indebtedness.

On April 3, 2007, StoneMor Operating LLC, a Delaware limited liability company (the Operating Company) and a wholly-owned subsidiary of StoneMor, entered into a commitment letter (the Commitment Letter) with Bank of America, N.A. (Bank of America) and Banc of America Securities LLC (BAS). On April 3, 2007, the Operating Company, Bank of America and BAS entered into a fee letter (the Fee Letter) in connection with and in consideration of agreements contained in the Commitment Letter. Bank of America is currently the administrative agent and one of the lenders under the credit agreement as described above.

Pursuant to the Commitment Letter, Bank of America has agreed to be the sole administrative agent for a $65.0 million senior secured credit facility to the Operating Company and all of its existing and future direct and indirect subsidiaries (collectively, the Borrowers) and has committed to lend to the Borrowers up to $25.0 million of the Senior Credit Facility, subject to certain terms and conditions. Additionally, BAS has undertaken to act as sole lead arranger and sole book manager for the senior credit facility and to use its best efforts to form a syndicate of financial institutions for the senior credit facility (including Bank of America) that is acceptable to the Borrowers (the Lenders).

The commitment of Bank of America and the undertaking of BAS to provide the services under the Commitment Letter are subject to the satisfaction of certain conditions precedent

The senior credit facility will consist of a (1) $25 million revolving credit facility with the term of maturity of 5 years, and (2) a $40 million acquisition facility, a term loan facility which may be borrowed in multiple drawdowns during the period from the closing date until the end of a ten year payment schedule. StoneMor and its general partner will serve as guarantors in connection with the Senior Credit Facility.

The proceeds of the senior credit facility are intended to be used (i) to refinance the Borrowers indebtedness under the 2004 credit facility described above; (ii) for working capital, capital expenditures, and other lawful corporate purposes; and (iii) to finance permitted acquisitions.

The Commitment Letter expired on March 31, 2007. On May 31, 2007 the Operating Company requested and received an extension of the Commitment Letter which extended the expiration date from March 31, 2007 to June 29, 2007. On June 21, 2007, the Operating Company requested and received an extension of the Commitment Letter from the extended expiration date of June 29, 2007 to July 31, 2007. On July 31, 2007, the Operating Company requested and received an extension of the Commitment Letter from the previous expiration date of July 31, 2007 to August 15, 2007.

Pursuant to the Fee Letter, the Operating Company is obligated to pay certain fees to Bank of America and BAS, for its account or for the account of the Lenders.

Senior Secured Notes. Concurrent with the closing of our initial public offering, StoneMor Operating LLC and its existing subsidiaries issued and sold $80.0 million in aggregate principal amount of senior secured notes. The net proceeds of the senior secured notes were used to repay a portion of our then existing indebtedness.

The senior secured notes rank pari passu with all of our other senior secured debt, including the revolving credit facility and the acquisition facility, subject to the description of the collateral securing the senior secured notes described below. The senior secured notes are guaranteed by the partnership, our general partner and any future subsidiaries of our operating company. Obligations under the senior secured notes are secured by a first priority lien and security interest covering substantially all of the assets of the issuers, whether then owned or thereafter acquired, other than specified receivable rights, excluding trust accounts and certain proceeds required by law to be placed in such trust accounts and funds held in trust accounts, our general partner s general partner interest in the Partnership and our general partner s incentive distribution rights under our partnership agreement, and a first priority lien and security interest covering those specified receivable rights, each as described above, of the issuers and the guarantors, whether then owned or thereafter acquired.

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The senior secured notes mature on September 20, 2009 and bear interest at a rate of 7.66% per annum. Interest on the senior secured notes is payable quarterly, commencing on December 20, 2004. There will be no principal amortization prior to the final maturity of the senior secured notes.

The senior secured notes are redeemable, at our option, at any time in whole or in part at a make-whole premium. The make-whole premium is calculated on the basis of a discount rate equal to the yield on the U.S. treasury notes having a constant maturity comparable to the remaining term of the senior secured notes, plus 100 basis points. The senior secured notes are not subject to any sinking fund provisions.

The senior secured notes limit the ability of the partnership, our general partner, our operating company and any of our other subsidiaries, among other things, to:

- enter into a new line of business;
- 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 certain leases;
- enter into transactions with affiliates; and
- make voluntary payments or modifications of indebtedness.

The note purchase agreement also contains financial covenants requiring us to maintain, on a rolling four-quarter basis:

- a ratio of consolidated cash flow, as defined in the note purchase agreement, to consolidated interest expense of not less than 3.5 to 1.0 for the four most recent quarters;
- a ratio of total funded debt on the last day of each quarter to consolidated cash flow of not more than 3.5 to 1.0 for the four most recent quarters (except as described below); and

consolidated cash flow of at least $21.0 million. Our minimum consolidated cash flow will be increased by 80% of any consolidated cash flow acquired in an acquisition.

The note purchase agreement was amended in November 2004 to amend the leverage ratio from 3.5 to 3.75 to 1 until September 30, 2005 at which time it reverted back to 3.5 to 1. As of June 30, 2007, the Company was in compliance with all debt covenants.

For purposes of determining our compliance with the covenants described above, total funded debt and consolidated cash flow are defined in the note purchase agreement in the same manner as they are defined in our new credit agreement.

Each of the following is an event of default under the note purchase agreement:

- failure to pay any principal, interest, fees, expenses or other amounts when due;
- failure of any of our representations and warranties to be materially correct;
- failure to observe any covenant included in the note purchase agreement beyond specified cure periods in specified cases;
- the occurrence of a default under other indebtedness of the partnership, our general partner, our operating company or any of our other subsidiaries;
- the occurrence of specified bankruptcy or insolvency events involving the partnership, our operating company, our general partner or our other subsidiaries;
- a change of control; or
- the entry of judgments against the partnership, our general partner, our operating company or any of our other subsidiaries in excess of certain allowances.

Change of control is defined as the occurrence of any of the following events:

- any two of our chairman, chief executive officer or chief financial officer on the closing date of the senior secured notes offering cease to hold such positions unless approved by the requisite noteholders;

- any person or group that did not hold any equity interests in the general partner or the partnership on the closing date of the senior secured notes offering acquires 20% or more of the equity interests in the partnership or the general partner;

- the general partner ceases to be our sole general partner;

- the partnership ceases to own 100% of the operating company; or

- the operating company ceases to own 100% of the other borrowers.

The initial offering of the senior secured notes was not registered under the Securities Act, and the senior secured notes may not be resold absent registration or an available exemption from the registration requirements of the Securities Act. The holders of the senior secured notes do not have registration rights. The senior secured notes are not listed or quoted on any national securities exchange or association.

Intercreditor and Collateral Agency Agreement. In connection with the closing of the credit facility and the private placement of the senior secured notes, our general partner, the partnership, our operating company, our other subsidiaries, the lenders under the new credit facility, the holders of the senior secured notes and Fleet National Bank, as collateral agent, entered into an intercreditor and collateral agency agreement setting forth the rights and obligations of the parties to the agreement as they relate to the collateral securing the new credit facility and the senior secured notes.

Capital Expenditures

The following table summarizes total maintenance capital expenditures and expansion capital expenditures, including for the construction of mausoleums and for acquisitions, for the periods presented (in thousands):

	Six Months Ended June 30,	
	2006	**2007**
Maintenance capital expenditures	$ 1,527	$ 972
Expansion capital expenditures	3,352	2,197
Total capital expenditures	$ 4,879	$ 3,169

Pursuant to our partnership agreement, in connection with determining operating cash flows available for distribution, costs to construct mausoleum crypts and lawn crypts may be considered to be a combination of maintenance capital expenditures and expansion capital expenditures depending on the purposes for construction. Our general partner, with the concurrence of its conflicts committee, has the discretion to determine how to allocate a capital expenditure for the construction of a mausoleum crypt or a lawn crypt between maintenance capital expenditures and expansion capital expenditures. In addition, maintenance capital expenditures for the construction of a mausoleum crypt or a lawn crypt are not subtracted from operating surplus in the quarter incurred but rather are subtracted from operating surplus ratably during the estimated number of years it will take to sell all of the available spaces in the mausoleum or lawn crypt. Estimated life is determined by our general partner, with the concurrence of its conflicts committee.

Seasonality. The death care business is relatively stable and predictable. Although we experience seasonal increases in deaths due to extreme weather conditions and winter flu, these increases have not historically had any significant impact on our results of operations. In addition, we perform fewer initial openings and closings in the winter when the ground is frozen.

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Part II Other Information

Item 6. Exhibits

Exhibit Number	Description
10.1	Third Amendment to Credit Agreement, dated May 7, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Third Amendment to the Credit Agreement, the Lenders party to the Third Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer (incorporated by reference to Exhibit 10.2 of Registrant s Quarterly Report on Form 10-Q filed on May 10, 2007).
10.2**	Fourth Amendment to Credit Agreement, dated June 29, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Fourth Amendment to the Credit Agreement, the Lenders party to the Fourth Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer.
10.3**	Fifth Amendment to Credit Agreement, dated July 31, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Fifth Amendment to the Credit Agreement, the Lenders party to the Fifth Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer.
10.4	Commitment Letter, dated March 15, 2007, by and between StoneMor Operating LLC, all of its existing and future direct and indirect subsidiaries and Bank of America, N.A., Banc of America Securities LLC (incorporated by reference to Exhibit 10.1 of Registrant s Current Report on Form 8-K filed on April 9, 2007).
10.5	Fee Letter, dated March 15, 2007, by and between StoneMor Operating LLC and all of its existing and future direct and indirect subsidiaries and Bank of America, N.A., Banc of America Securities LLC (incorporated by reference to Exhibit 10.2 of Registrant s Current Report on Form 8-K filed on April 9, 2007).
10.6*	StoneMor Partners L.P. Long-Term Incentive Plan, as amended May 10, 2007(incorporated by reference to Exhibit 99.1 of Registrant s Form S-8 filed on June 19, 2007)
10.7**	Extension Letter, dated May 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC.
10.8**	Extension Letter, dated June 21, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC.
10.9**	Extension Letter, dated July 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC.
31.1	Certification pursuant to Exchange Act Rule 13a-14(a) of Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of Directors
31.2	Certification pursuant to Exchange Act Rule 13a-14(a) of William R. Shane, Executive Vice President and Chief Financial Officer
32.1***	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of Directors
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* Management contract, compensatory plan or arrangement.
** Previously filed.
*** Previously furnished.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STONEMOR PARTNERS L.P.
By: StoneMor GP LLC
its general partner

December 13, 2007

/s/ Lawrence Miller
Lawrence Miller
Chief Executive Officer, President and Chairman of the Board of Directors (Principal Executive Officer)

December 13, 2007

/s/ William R. Shane
William R. Shane
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit Index

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