

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 10535 / August 22, 2018

SECURITIES EXCHANGE ACT OF 1934

Release No. 83910 / August 22, 2018

ADMINISTRATIVE PROCEEDING

File No. 3-18665

In the Matter of

JAMES T. LENTZ,

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933 AND SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against James T. Lentz (“Lentz” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. This matter involves insider trading by James T. Lentz, a former Vice President of Sales at StoneMor Partners, L.P. ("StoneMor"), a Pennsylvania-based owner and operator of cemeteries and funeral homes. Lentz used material, nonpublic information, obtained through his employment, to trade ahead of StoneMor's October 27, 2016 announcement that lagging sales performance would necessitate a 50% reduction in its quarterly distribution payment to unitholders (the "Announcement"). The Announcement triggered nearly a 45% decline in the company's unit price. In the weeks prior to the Announcement, Lentz received nonpublic sales data reflecting a significant sales shortfall, which Lentz knew affected the sustainability of StoneMor's quarterly distribution payments. Four hours prior to the Announcement, in breach of his duty to StoneMor's unitholders, Lentz sold the entirety of his StoneMor position, avoiding losses of \$9,115. By engaging in this conduct, Lentz violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Respondent

2. **James T. Lentz**, age 74, is a resident of Coatesville, Pennsylvania. From April 1999 through January 2017, Lentz was employed as a sales executive at StoneMor, and in October 2016, Lentz served as the Vice President of Sales for the Eastern Division.

Related Entity

3. **StoneMor Partners, L.P.**, a master limited partnership ("MLP") headquartered in Trevese, Pennsylvania, is an owner and operator of cemeteries and funeral homes. At all relevant times, StoneMor's common units were registered with the Commission pursuant to Section 12(b) of the Exchange Act and traded on the New York Stock Exchange under the ticker symbol "STON."

Facts

StoneMor's Trading Policy

4. As an employee of StoneMor, Lentz was subject to the company's Pre-Clearance and Insider Trading Policy (the "Trading Policy"). The Trading Policy provided that information employees obtained in the course of their employment belonged to StoneMor and could be used only for company purposes. As such, the Trading Policy prohibited employees from effecting transactions in StoneMor's securities on the basis of material, nonpublic information.

5. The Trading Policy also set forth a non-exhaustive list of the categories of information that StoneMor deemed material, including "earnings or sales results or forecasts for

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

the quarter or the year,” changes in payments to unit holders,” and “company financial problems.”

6. On an annual basis, and as recently as six months prior to his illegal trade, Lentz acknowledged in writing that he had reviewed and agreed to abide by the Trading Policy.

Background on the Announcement

7. StoneMor, as an MLP, is required to periodically distribute 100% of its available cash to its unitholders. According to StoneMor’s public filings with the Commission, the company pursues a primary business objective of increasing distributable cash flow over time for its unitholders.

8. StoneMor issues distribution payments to its unitholders on a quarterly basis. The company typically announces the third quarter distribution at the end of the October. Prior to the October 27, 2016 Announcement, StoneMor had maintained or increased its distribution payments for 45 successive quarters.

9. During the summer of 2015, StoneMor made several changes to its sales force and compensation structure, seeking to increase both retention and sales performance within the cemetery division, the company’s largest department and its greatest contributor to overall revenue.

10. A year later, on August 5, 2016, StoneMor released its financial results for Q2 2016, disclosing that, while sales had not yet reached the levels anticipated as a result of StoneMor’s 2015 salesforce restructuring efforts, they had rebounded strongly from prior quarters. The company also highlighted its expectation that the current distribution level would be maintained going forward.

11. On October 26, 2016, however, StoneMor’s Board of Directors convened and, upon the recommendation of management, voted to reduce the quarterly cash distribution payment by half, to \$0.33 per unit. At 4:45 pm on October 27, 2017, the company publicly announced the 50% reduction, citing the company’s lagging sales performance as a key cause.

12. The following day, StoneMor’s unit price closed at \$13.74 per unit, a decline of nearly 45% from the previous day’s closing price of \$24.82.

Lentz’s Trading

13. As StoneMor’s Vice President of Sales for the Eastern Division, Lentz received daily sales data for the entire cemetery division. This data compared actual month-to-date sales with budgeted month-to-date sales. Lentz also received monthly cemetery management reports detailing weekly, monthly, and year-to-date sales data relative to budget. Because the cemetery division contributed approximately 80% of the company’s consolidated total revenue, Lentz had a comprehensive view of the company’s day-to-day sales performance.

14. In the weeks leading up to the Announcement, Lentz received sales reports indicating that sales performance was falling substantially short of budget. He also received a series of communications from StoneMor management expressing concern about recent sales figures. Management routinely had warned sales staff, including Lentz, that poor sales could negatively impact the unitholder distribution and, consequently, the market price of StoneMor's units.

15. On October 3, 2016, Lentz received sales data reflecting that the cemetery division had missed budget by nearly 10% for the month of September.

16. At 11:10 am on October 27, 2016, the morning of the Announcement, Lentz received sales figures revealing that the cemetery division was on track to miss budget by over 40% for the month of October.

17. Lentz knew that sales data and internal communications from management were confidential and knew, or was reckless in not knowing, that he was forbidden from trading on that information. Nevertheless, at 12:03 p.m. on October 27, 2016, less than an hour after receiving the most recent sales data, and five hours before the Announcement, Lentz instructed his broker to sell the entirety of his StoneMor position.

18. At 4:45 p.m. on October 27, 2016, citing lagging sales performance, StoneMor announced a 50% reduction to its quarterly cash distribution—from \$0.66 per unit to \$0.33 per unit—triggering a decline of nearly 45% in the company's unit price.

19. By selling StoneMor securities on the basis of information received through his position at StoneMor, Lentz knew, or was reckless in not knowing, that he was breaching a duty of trust and confidence owed to StoneMor's unitholders.

20. As a result of trading on the basis of material, nonpublic information in advance of the Announcement, and in breach of the duty owed to StoneMor unitholders, Lentz illegally avoided losses of \$9,115.

Findings

21. Based on the foregoing, the Commission finds that Lentz violated Section 17(a) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of securities, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future

violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

B. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$9,115, prejudgment interest of \$608, and a civil money penalty in the amount of \$9,115, for a total of \$18,838, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600, and if timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

C. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying James T. Lentz as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Kelly L. Gibson, Associate Regional Director, Philadelphia Regional Office, Division of Enforcement, Securities and Exchange Commission, 1617 JFK Blvd., Suite 520, Philadelphia, PA 19103.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil

penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary