STONEMOR PARTNERS LP

FORM 10-K
(Annual Report)

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Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED December 31, 2009

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 **(State or other jurisdiction of incorporation or organization)**	**80-0103159** **(I.R.S. Employer Identification No.)**
311 Veterans Highway, Suite B **Levittown, Pennsylvania** **(Address of principal executive offices)**	**19056** **(Zip Code)**

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

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

Title of each class	Name of each exchange on which registered
Common Units	**The NASDAQ Stock Market LLC**

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

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

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

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

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

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

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

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

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

The aggregate market value of the common units held by non-affiliates of the registrant was approximately $139.7 million as of June 30, 2009 based on $15.00 per unit, the closing price of the common units as reported on the NASDAQ Global Select Market on that date. [1]

The number of the registrant's outstanding common units at March 16, 2010 was 13,357,585.

Documents incorporated by reference: None

The aggregate market value of the common units set forth above equals the number of the registrant's common units outstanding, reduced

by the number of common units held by executive officers, directors and persons owning 10% or more of the registrant's common units, multiplied by the last reported sale price for the registrant's common units on June 30, 2009, the last day of the registrant's most recently completed second fiscal quarter. The information provided shall in no way be construed as an admission that any person whose holdings are excluded from this figure is an affiliate of the registrant or that any person whose holdings are included in this figure is not an affiliate of the registrant and any such admission is hereby disclaimed. The information provided herein is included solely for record keeping purposes of the Securities and Exchange Commission.

FORM 10-K OF STONEMOR PARTNERS, L.P.
TABLE OF CONTENTS

PART I

Item 1.	Business	1
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	22
Item 2.	Properties	23
Item 3.	Legal Proceedings	25
Item 4.	(Removed and Reserved).	25

PART II

Item 5.	Market for Registrant Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	25
Item 6.	Selected Financial Data	31
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	34
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	80
Item 8.	Financial Statements and Supplementary Data	82
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	129
Item 9A.	Controls and Procedures	129
Item 9B.	Other Information	131

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	132
Item 11.	Executive Compensation	137
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	149
Item 13.	Certain Relationships and Related Transactions, and Director Independence	151
Item 14.	Principal Accountant Fees and Services	156

PART IV

Item 15.	Exhibits, Financial Statement Schedules	157

Item 1.—Business

Overview

We were formed as a Delaware limited partnership in April 2004 to own and operate the assets and businesses previously owned and operated by Cornerstone Family Services, Inc., ("Cornerstone"), which was converted into CFSI LLC, a limited liability company, prior to our initial public offering of common units representing limited partner interests on September 20, 2004. Cornerstone had been 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.

We are currently the second largest owner and operator of cemeteries in the United States. As of December 31, 2009, we operated 235 cemeteries in 24 states and Puerto Rico. We own 219 of these cemeteries, and we operate the remaining 16 under management or operating agreements with the non-profit cemetery corporations that own the cemeteries. As of December 31, 2009, we also owned, operated and/ or 58 funeral homes in 16 states and in Puerto Rico. Twenty-six of these funeral homes are located on the grounds of the cemeteries that we own.

The cemetery products and services that we sell are:

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

We sell these products and services both at the time of death, which we refer to as at-need, and prior to the time of death, which we refer to as pre-need. Our sales of real property, including burial lots (with and without installed vaults), lawn and mausoleum crypts and cremation niches, generate qualifying income sufficient for us to be treated as a partnership for federal income tax purposes. In 2009, we performed 37,782 burials and sold 25,842 interment rights (net of cancellations). Based on our sales of interment spaces in 2009, our cemeteries have an aggregated weighted average remaining sales life of 226 years.

Our cemetery properties are located in Alabama, California, Colorado, Delaware, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Missouri, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Tennessee, Virginia, Washington and West Virginia. One cemetery in Hawaii that we acquired in December 2007, pursuant to the Transition Agreement discussed below in "Acquisition", is still awaiting regulatory approval and has not yet been conveyed to us. Our cemetery operations accounted for approximately 87.1%, 86.9% and 92.6% of our revenues in 2009, 2008 and 2007 respectively.

Our funeral homes are located in Alabama, Arkansas, California, Florida, Illinois, Kansas, Maryland, Missouri, Ohio, Oregon, Pennsylvania, Puerto Rico, South Carolina, Tennessee, Virginia, Washington and West Virginia. Our funeral home revenues accounted for approximately 12.9%, 13.1% and 7.4% of our revenues in 2009, 2008 and 2007 respectively.

Operations

Segment Reporting and Related Information

We have five distinct reportable segments which are classified as Cemetery Operations—Southeast, Cemetery Operations—Northeast, Cemetery Operations—West, Funeral Homes, and Corporate.

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

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

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

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

Cemetery Operations

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

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

One of the principal services we provide at our cemeteries is an "opening and closing," which is the digging and refilling of burial spaces to install the vault and place the casket into the vault. With pre-need sales, there are usually two openings and closings. During the initial opening and closing, we install the burial vault in the burial space. We usually perform this service shortly after the customer signs a pre-need contract. Advance installation allows us to withdraw the related funds from our merchandise trusts, making the amount in excess of our cost to purchase and install the vault available to us for other uses, and eliminates future merchandise trusting requirements for the burial vault and its installation. During the final opening and closing, we remove the dirt

above the vault, open the lid of the vault, place the casket into the vault, close the vault lid and replace the ground cover. With at-need sales, we typically perform the initial opening and closing at the time we perform the final opening and closing. Our other services include the installation of other cemetery merchandise and the perpetual care related to interment rights.

As of December 31, 2009, we provided management services to 16 cemeteries under management or operating agreements with the non-profit cemetery corporations that own the cemeteries. These nonprofit cemeteries are organized as such either because state law requires cemetery properties to be owned by nonprofit entities, such as in New Jersey, or because they were originally established as nonprofit entities. We have voting rights, along with member owners of burial spaces, in the five New Jersey nonprofit cemeteries as a result of owning all of their outstanding certificates of indebtedness or interest. To obtain the benefit of professional management services, the remaining 11 nonprofit cemeteries have entered into agreements with us. The agreements under which we operate these 16 non-profit cemeteries generally have terms ranging from 3 to 40 years (but some are subject to early termination rights and obligations) and provide us with management fees that approximate what we would earn if we owned those cemeteries and held them in for-profit entities.

Funeral Home Operations

As of December 31, 2009, we owned, operated and/ or managed 58 funeral homes, 26 of which are located on the grounds of cemetery properties that we own. Our funeral homes offer a range of services to meet a family's funeral needs, including family consultation, the removal and preparation of remains, provision of caskets and related funeral merchandise, the use of funeral home facilities for visitation, worship and funeral services and transportation services. Funeral home operations primarily generate revenues from at-need sales, for which there is a smaller potential customer base than pre-need sales, and have low barriers to entry by competitors. By focusing primarily on cemeteries and deriving significant revenues from pre-need sales, we minimize our exposure to these types of challenges.

We purchase caskets from Thacker Caskets, Inc. under a supply agreement that expires on December 31, 2015. This agreement entitles us to specified discounts on the price of caskets but gives Thacker Caskets, Inc. the right of first refusal on all of our casket purchases. We do not have minimum purchase requirements under this supply agreement.

Cremation Products and Services

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

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.

Sales Contracts

Pre-need products and services are typically sold on an installment basis. At-need products and services are generally required to be paid for in full in cash by the customer at the time of sale. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Operations—Cemetery Operations—Pre-need Sales" and "—At-need Sales" for a description of our pre-need and at-need products and services.

Trusts

Sales of cemetery products and services are subject to a variety of state regulations. In accordance with these regulations, we are required to establish and fund two types of trusts, merchandise trusts and perpetual care trusts, to ensure that we can meet our future obligations. Our funding obligations are generally equal to a percentage of sales proceeds of the products and services we sell. For a detailed discussion of these trusts, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Trusting.”

Sales Personnel, Training and Marketing

As of December 31, 2009, we employed approximately 688 commissioned salespeople and 62 sales support and telemarketing employees. We have seven regional sales managers covering our cemeteries, who report to our Senior Vice President of Sales. Individual salespersons are typically located at the cemeteries they serve and report directly to the cemetery manager. We have made a strong commitment to the ongoing education and training of our sales force and to salesperson retention in order to ensure that our customers receive the highest quality customer service. Our training program includes classroom training at our headquarters, field training, continuously updated training materials that utilize media, such as the Internet, for interactive training and participation in industry seminars. We place special emphasis on training property sales managers, who are key elements to a successful pre-need sales program.

We reward our salespeople with incentives for generating new customers. Sales force performance is evaluated by sales budgets, sales mix and closing ratios, which are equal to the number of contracts written divided by the number of presentations that are made. Substantially all of our sales force is compensated based solely on performance. Commissions are augmented with various bonus and incentive packages to ensure a high quality, motivated sales force. We pay commissions to our sales personnel on pre-need contracts based upon a percentage of the value of the underlying contracts. Such commissions vary depending upon the type of merchandise and services sold. We also pay commissions on at-need contracts that are generally equal to a fixed percentage of the contract amount. In addition, cemetery managers receive an override commission that is equal to a percentage of the gross sales price of the contracts entered into by the salespeople assigned to the cemeteries they manage.

We generate sales leads through focused telemarketing, direct mail, television advertising, funeral follow-up and sales force cold calling, with the assistance of database mining and other marketing resources. We have created a marketing department to allow us to use more sophisticated marketing techniques to more effectively focus our telemarketing and direct sales efforts. Sales leads are referred to the sales force to schedule an appointment, most often at the customer’s home.

Acquisitions

2010

Certain of our subsidiaries are in the process of negotiating the purchases of seventeen cemeteries, five funeral homes and various related assets for an aggregate purchase price ranging between $44 million and $47 million, approximately $1-5 million of which is presently proposed to be paid in the form of our common units. The transactions are expected to close on or after March 30, 2010 but prior to May 1, 2010. The completion of both acquisitions is subject to the execution of the definitive agreements, which will include certain material conditions to closing. There is no assurance that our subsidiaries will enter into definitive final agreements related to these acquisitions, that such agreements will contain the provisions referenced above or that the applicable conditions to closing will be satisfied.

2009

In 2009 we entered into, through certain of our subsidiaries, three long-term operating agreements (subject to certain early termination rights and obligations) wherein we have become the exclusive operator of the underlying cemetery land. Two of these agreements were entered into during the second quarter of 2009, while the third was entered into during the third quarter of 2009.

Total consideration paid for the rights acquired under these agreements was approximately $7.0 million. This consisted of $4.1 million in cash, a note payable of $1.4 million, a commitment to make capital improvements on one of the properties ($0.8 million) and an agreement to reimburse prior operators for certain liabilities ($0.9 million) offset by an agreement wherein we will receive approximately $0.2 million over the next four years. The agreement to reimburse prior operators for certain liabilities does not include a market rate of interest. The $0.9 million consists of a notional amount of approximately $1.9 million offset by a discount of approximately $1.0 million. The $0.2 million to be received does not bear interest and is recorded on our financial statements net of a discount of less than $0.1 million.

The operating results of these cemeteries have been consolidated into our financial statements from their respective date of acquisition and are immaterial to the financial statements taken as a whole.

2008

We made four acquisitions in 2008. The first acquisition took place during the first quarter of the year and consisted of a single cemetery (the “2008 First Quarter Acquisition”). The second acquisition took place in the third quarter of the year and consisted of six cemeteries and two funeral homes (the “2008 Third Quarter Acquisition”) and the third and fourth acquisitions took place in the fourth quarter of the year and consisted of two cemeteries and one funeral home (the “2008 Fourth Quarter Acquisition”).

We paid $600,000 in cash and $500,000 in common units representing limited partner interests to the sellers for the 2008 First Quarter Acquisition. Including the acquisition transaction costs, the transaction was valued at $1.2 million for accounting purposes.

We paid approximately $800,000 in cash to the sellers for the 2008 Third Quarter Acquisition. Including the acquisition transaction costs, the transaction was valued at $1.4 million for accounting purposes.

We paid approximately $1.6 million in cash to the sellers for the 2008 Fourth Quarter Acquisition. Including the acquisition transaction costs, the transaction was valued at $1.8 million for accounting purposes.

2007

On December 21, 2007 we entered into the Asset Purchase and Sale Agreement with Service Corporation International (NYSE: SCI) and certain other entities, pursuant to which we agreed to acquire or manage, as applicable, 45 cemeteries and 30 funeral homes, except for the conveyance of one cemetery in Hawaii, the acquisition of which is subject to state regulatory approval. Pending the conveyance of this location, we entered into a Transition Agreement with SCI (the “Transition Agreement”) pursuant to which SCI will continue to operate, for our benefit, any elements of the business for which regulatory approval to transfer ownership has not been obtained. Under the Transition Agreement, we are obligated to reimburse SCI for all costs incurred by SCI while operating this location for our benefit. We paid $68.0 million in cash for this transaction with SCI and assumed the merchandise and service liabilities associated with certain pre-arranged contracts related to the properties.

The properties are located in Alabama (2 cemeteries and 2 funeral homes), Arkansas (2 funeral homes), California (7 cemeteries and 10 funeral homes), Florida (1 funeral home), Hawaii (1 cemetery), Iowa (1 cemetery), Illinois (5 cemeteries and 2 funeral homes), Indiana (5 cemeteries), Kentucky (1 cemetery), Missouri

(2 cemeteries and 1 funeral home), North Carolina (3 cemeteries), Ohio (7 cemeteries and 1 funeral home), Oregon (2 cemeteries and 3 funeral homes), South Carolina (2 cemeteries and 2 funeral homes), Tennessee (3 cemeteries and 4 funeral homes), Washington (2 cemeteries), West Virginia (1 funeral home), and Puerto Rico (2 cemeteries and 1 funeral home).

We acquired two additional cemeteries during the third quarter of 2007 with an aggregate purchase price of approximately $2.4 million.

Competition

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

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

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

We believe that we currently face limited competition for cemetery acquisitions. The three publicly held death care companies identified above have historically been the industry's primary consolidators but have largely curtailed cemetery acquisition activity since 1999. Furthermore, these companies continue to generate a majority of their revenues from funeral home operations. Based on the relative levels of cemetery operations and funeral home operations of the three publicly traded death care companies, which are disclosed in their SEC filings, we believe that we are the only public death care company that focuses a significant portion of their efforts on cemetery operations.

Robert B. Hellman Jr., who serves as one of our directors, as the Chief Executive Officer and a Managing Director of McCown De Leeuw & Co., LLC and in various other positions with McCown De Leeuw, has applied for a U.S. patent on a technology entitled, "Apparatus and Method for Operating a Death Care Business as a Master Limited Partnership." The computer-implemented method defines death care master limited partnership assets based upon qualifying death care business income sources and non-qualifying death care business income sources. The pending patent application was filed on November 27, 2002, and claims priority to an earlier patent application filed November 30, 2001 Mr. Hellman assigned the patent application to McCown De Leeuw & Co. IV, L.P. in February 2003 and recorded the assignment in the United States Patent and Trademark Office in March 2003. McCown De Leeuw & Co. IV, L.P. assigned a 50% ownership interest in the patent application and, if issued, the patent to the partnership. That patent application is still pending. We cannot assure you that the patent will be issued or, if it is issued and subsequently challenged, that it will be determined to be valid.

If a patent is issued relating to this patent application, no other entity will be able to practice the claimed invention without the consent of McCown De Leeuw & Co. IV, L.P. and us. The patent will not prevent corporations, such as the three publicly held death care companies, or privately held partnerships that do not operate as master limited partnerships from competing with us in the death care business. As a result, the issuance of the patent is not expected to have a material impact on our business.

Regulation

General

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

Cooling-Off Legislation

Each of the states where our current cemetery properties are located has “cooling-off” legislation with respect to pre-need sales of cemetery and funeral home products and services. This legislation requires us to refund proceeds from pre-need sales contracts if canceled by the customer for any reason within three to thirty days, from the date of the contract, depending on the state.

Trusting

Sales of cemetery interment rights and pre-need sales of cemetery and funeral home merchandise and services are subject to trusting requirements imposed by state laws in virtually all of the states where we operate. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Trusting.”

Truth in Lending Act and Regulation Z

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

Do Not Call Implementation Act

We are subject to the requirements of two federal statutes governing telemarketing practices, the Telephone Consumer Protection Act, or TCPA, and the Telemarketing and Consumer Fraud and Abuse Prevention Act, or TCFAPA. These statutes impose significant penalties on those who fail to comply with their mandates. The Federal Communications Commission, or FCC, is the federal agency with authority to enforce the TCPA, and the Federal Trade Commission, or FTC, has jurisdiction under the TCFAPA. The FTC has established and implemented a national no-call registry under the TCFAPA. The legislation also establishes a private right of action for consumers against telemarketing entities under certain circumstances. The FCC has adopted regulations that mirror the no-call registry legislation. Primarily as a result of implementation of the do not call legislation, the percentage of our pre-need sales generated from telemarketing leads has decreased substantially in the past ten years. We are also subject to similar telemarketing consumer protection laws in the states of Alabama, Arkansas, California, Colorado, Delaware, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Missouri, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Virginia, Washington, West Virginia and Puerto Rico. These states’ statutes permit consumers to prevent unwanted telephone solicitations.

Occupational Safety and Health Act and Environmental Law Requirements

We are subject to the requirements of the Occupational Safety and Health Act, or OSHA, and comparable state statutes. OSHA’s regulatory requirement known as the Hazard Communication Standard, the Emergency Planning and Community Right-to-Know Act (“EPCRA”) and similar state statutes require us to report

information about hazardous materials used or maintained for our operations to state, federal and local authorities. We may also be subject to Tier 1 or Tier 2 Emergency and Hazardous Chemical Inventory reporting requirements under EPCRA depending on the amount of hazardous materials maintained on-site at a particular facility. We are also subject to the federal Americans with Disabilities Act and similar laws which, among other things, may require that we modify our facilities to comply with minimum accessibility requirements for disabled persons.

Federal Trade Commission

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

Future Enactments and Regulation

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

Environmental Regulations and Liabilities

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

Clean Air Act

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

Emergency Planning and Community Right-to-Know Act

As noted above, federal, state and local regulations apply to the use of hazardous materials at our funeral homes. Depending on the types and quantities of materials we manage at any particular facility, we may be required to maintain and submit to authorities’ inventories of these materials present at that location and reports in compliance with EPCRA or similar state statutes.

Comprehensive Environmental Response, Compensation, and Liability Act

The Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, and similar state laws affect our cemetery and funeral home operations by, among other things, imposing remediation obligations for threatened or actual releases of hazardous substances that may endanger public health or welfare or the environment. Under CERCLA and similar state laws, strict joint and several liability may be imposed on generators, site owners and operators, and others regardless of fault or the legality of the original disposal activity. Our operations include the use of some materials that may meet the definition of “hazardous substances” under CERCLA or state laws and thus may give rise to liability if released to the environment through a spill or release. Should we acquire new properties with pre-existing conditions triggering CERCLA or similar state liability, we may become liable for responding to those conditions under CERCLA or similar state laws. We may become involved in proceedings, litigation or investigations at one or more sites where releases of hazardous substances have occurred, and we cannot assure you that the associated costs and potential liabilities would not be material.

Underground and Aboveground Storage Tank Laws and Solid Waste Laws

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

Employees

As of December 31, 2009, our general partner and its affiliates employed approximately 2,156 full-time and approximately 114 part-time employees. A total of 5 full time employees at one of our cemeteries located in New Jersey are represented by one union and are subject to collective bargaining agreements that expire in December 2010, 24 employees at 11 of our cemeteries located in Pennsylvania are represented by 3 different unions and are subject to collective bargaining agreements that expire between June 2010 and November 2011, 3 employees at 1 of our cemeteries located in Illinois are represented by a union and are subject to collective bargaining agreements that expired and are in the process of being renegotiated, 11 employees at 1 of our locations in California are represented by a union and are subject to a collective bargaining agreement that expired in January 2010, this agreement is currently being renegotiated, a total of 8 employees at 1 cemetery in Ohio are represented by a union and are subject to collective bargaining agreements that expire in December 2010. We believe that our relationship with our employees is good.

Available Information

We maintain an internet website with the address of http://www.stonemor.com. The information on this website is not, and should not be considered part, of this Annual Report on Form 10-K and is not incorporated by reference into this document. This website address is only intended to be an inactive textual reference. Copies of

our reports filed with, or furnished to, the SEC on Forms 10-K, 10-Q, and 8-K and any amendments to such reports are available for viewing and copying at such internet website, free of charge, as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC.

Financial Information

Information for each of our segments is presented in Part II—Item 8 "—Financial Statements and Supplementary Data" in this report.

Item 1A. —Risk Factors

Risk Factors Related to Our Business

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the risks set forth below. The risks described below should not be considered comprehensive and all-inclusive. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations, financial condition and results of operations. If any events occur that give rise to the following risks, our business, financial condition or results of operations could be materially and adversely impacted. These risk factors should be read in conjunction with other information set forth in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes. Many such factors are beyond our ability to control or predict. Investors are cautioned not to put undue reliance on forward-looking statements.

We may not have sufficient cash from operations to pay the minimum quarterly distribution after we have paid our expenses, including the expenses of our general partner, funded merchandise and perpetual care trusts and established necessary cash reserves.

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

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

In addition, the actual amount of cash we will have available for distribution will depend on other factors, such as working capital borrowings, capital expenditures and funding requirements for trusts and our ability to withdraw amounts from trusts.

If we do not generate sufficient cash to pay the minimum quarterly distribution on the common units, the market price of the common units may decline materially. We expect that we will need working capital borrowings of approximately $12.7 million during the twelve-month period ending December 31, 2010 in order to have sufficient operating surplus to pay the full minimum quarterly distributions on all of our common units for that period, although the actual amount of working capital borrowings could be materially more or less. These working capital borrowings enable us to finance the build up in our accounts receivables, and to construct mausoleums and purchase products for our pre-need sales in advance of the time of need which, in turn, allows us to generate available cash for operating surplus over time by accessing the funds held in trust for the products purchased.

Our substantial level of indebtedness could materially adversely affect our ability to generate sufficient cash for distribution to our partners, to fulfill our debt obligations and to operate our business.

We have a substantial amount of debt, which requires significant interest and principal payments. As of December 31, 2009, we had $ 183.2 million of total debt outstanding and $13.5 million in cash and cash equivalents. Leverage makes us more vulnerable to economic downturns. Because we are obligated to dedicate a

portion of our cash flow to service our debt obligations, our cash flow available for operations and for distribution to our partners will be reduced. The amount of indebtedness we have could limit our flexibility in planning for, or reacting to, changes in the markets in which we compete, limit our ability to obtain additional financing, if necessary, for working capital expenditures, acquisitions or other purposes, and require us to dedicate more cash flow to service our debt than we desire. Our ability to satisfy our indebtedness as required by the terms of our debt will be dependent on, among other things, the successful execution of our long-term strategic plan. Subject to limitations in our debt obligations, we may incur additional debt in the future, for acquisitions or otherwise, and servicing this debt could further limit our cash flow.

Restrictions in our existing and future debt agreements could limit our ability to make distributions to you or capitalize on acquisition and other business opportunities.

The operating and financial restrictions and covenants in our debt obligations and any future financing agreements could restrict our ability to finance future operations or capital needs or to expand or pursue our business activities. For example, our debt obligations contain covenants that restrict or limit our ability 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 transactions with affiliates; and
- make voluntary payments or modifications of indebtedness.

In addition, these debt obligations contain covenants requiring us to maintain certain financial ratios and tests. These restrictions may also limit our ability to obtain future financings. Our ability to comply with the covenants and restrictions contained in our debt obligations may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions continue to deteriorate, our ability to comply with these covenants may be impaired. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Long-Term Debt” If we violate any of the restrictions, covenants, ratios or tests in our debt obligations, the lenders will be able to accelerate the maturity of all borrowings thereunder and demand repayment of amounts outstanding, and our lenders’ commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. Any subsequent replacement of our obligations or any new indebtedness could have similar or greater restrictions.

Current economic conditions may result in a decrease in cemetery merchandise and services revenues.

During the months of November and December of 2008, we experienced a reduction in the value of contracts written for pre-need cemetery merchandise and services, which we believed resulted from the current economic downturn. While the value of contracts written increased in 2009, any further economic downturn could have a negative effect on future revenues from pre-need cemetery merchandise and services. It is also possible that any further economic downturn might lead to a decline in sales of at-need and funeral home merchandise and services.

Adverse conditions in the financial markets have reduced the principal and may reduce the earnings of the investments held in merchandise and perpetual care trusts and adversely affect our revenues and cash flow.

A substantial portion of our revenue is generated from investment returns that we realize from merchandise and perpetual care trusts. The 2008 and early 2009 decline in the prices of most corporate debt and equity securities significantly reduced the fair value of the assets held in these trusts. Future cash flows could be negatively impacted if we are forced to liquidate assets that are in impaired positions.

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

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

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

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

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

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

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

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

Our ability to attract and retain a qualified sales force and other personnel is an important factor in achieving future success. Buying cemetery and funeral home products and services, especially at-need products and services, is very emotional for most customers, so our sales force must be particularly sensitive to our customers'

needs. We cannot assure you that we will be successful in our efforts to attract and retain a skilled sales force. If we are unable to maintain a qualified and productive sales force, our revenues may decline, and our cash available for distribution may decrease.

We are also dependent upon the continued services of our key officers. The loss of any of our key officers could have a material adverse effect on our business, financial condition and results of operations. We may not be able to locate or employ on acceptable terms qualified replacements for senior management or key employees if their services were no longer available. We do not maintain key employee insurance on any of our executive officers.

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

A primary component of our business strategy is to grow through acquisitions of cemeteries and, to a lesser extent, funeral homes. We cannot assure you that we will be able to identify and acquire cemeteries on terms favorable to us or at all. We may face competition from other death care companies in making acquisitions. Historically, we have funded a significant portion of our acquisitions through borrowings Our ability to make acquisitions in the future may be limited by our inability to secure adequate financing, restrictions under our existing or future debt agreements, competition from third parties or a lack of suitable properties. As of December 31, 2009, we had approximately $45.0 million of available borrowing capacity under our acquisition credit facility.

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

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

We and other death care companies that focus on traditional methods of interment face competition from the increasing number of cremations in the United States. Because the products and services associated with a cremation, such as niches and urns, produce lower revenues than the products and services associated with a traditional interment, a continuing trend toward cremations may reduce our revenues and profitability.

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

Declines in the number of deaths could cause at-need sales of cemetery and funeral home merchandise and services to decline and could cause a decline in the number of pre-need sales, both of which could decrease revenues. Changes in the number of deaths can vary among local markets and from quarter to quarter, and variations in the number of deaths in our markets or from quarter to quarter are not predictable. However, generally, the number of deaths fluctuates with the seasons with more deaths occurring during the winter months primarily resulting from pneumonia and influenza. These variations can cause revenues to fluctuate.

The financial condition of third-party insurance companies that fund our pre-need funeral contracts may impact our financial condition, results of operations, or cash flows.

Where permitted, customers may arrange their pre-need funeral contract by purchasing a life insurance or annuity policy from third-party insurance companies. The customer/policy holder assigns the policy benefits to our funeral home to pay for the pre-need funeral contract at the time of need. If the financial condition of the

third-party insurance companies were to deteriorate materially because of market conditions or otherwise, there could be an adverse effect on our ability to collect all or part of the proceeds of the life insurance policy, including the annual increase in the death benefit. Failure to collect such proceeds could have a material adverse effect on our financial condition, results of operations, or cash flows.

Regulatory and Legal Risks

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

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

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

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

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

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

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

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

Our cemetery and funeral home operations are subject to numerous federal, state and local environmental and health and safety regulations. We may become subject to liability for the removal of hazardous substances and solid waste under CERCLA and other federal and state laws. Under CERCLA and similar state laws, strict, joint and several liability may be imposed on various parties, regardless of fault or the legality of the original disposal activity. Our funeral home, cemetery and crematory operations include the use of some materials that

may meet the definition of “hazardous substances” under CERCLA or state laws and thus may give rise to liability if released to the environment through a spill or release. We cannot assure you that we will not face liability under CERCLA for any conditions at our properties, and we cannot assure you that these liabilities will not be material. Our cemetery and funeral home operations are subject to regulation of underground and above ground storage tanks and laws managing the disposal of solid waste. If new requirements under local, state or federal laws were to be adopted, and were more stringent than existing requirements, new permits or capital expenditures may be required.

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

Our crematory operations may be subject to regulation under the federal Clean Air Act and any analogous state laws. If new regulations applicable to our crematory operations were to be adopted, they could require permits or capital expenditures that could increase our costs of operation and compliance.

Risks Inherent in an Investment in Us

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

As of December 31, 2009, CFSI LLC owned an aggregate 15.7% limited partner interest in us and owned all of the Class A units of our general partner. Conflicts of interest may arise between CFSI LLC and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of the unitholders. These conflicts include, among others, the following situations:

- The board of directors of our general partner is elected by the owners of our general partner. Although our general partner has a fiduciary duty to manage us in good faith, the directors of our general partner also have a fiduciary duty to manage our general partner in a manner beneficial to the owners of our general partner. By purchasing common units, unitholders will be deemed to have consented to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable law.
- Our partnership agreement limits the liability of our general partner, reduces its fiduciary duties and restricts the remedies available to unitholders for actions that might, without the limitations, constitute breaches of fiduciary duty.
- Our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional limited partner interests and reserves, each of which can affect the amount of cash that is distributed to unitholders.
- Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf.
- Our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates.
- In some instances, our general partner may cause us to borrow funds or sell assets outside of the ordinary course of business in order to permit the payment of distributions, even if the purpose or effect of the borrowing is to make distributions in an amount such that incentive distribution rights will be paid.

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

Unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders did not select our general partner or elect the board of directors of our general partner and will have no right to select our general partner or elect its board of directors in the future. We are not required to have a majority of independent directors on our board. The board of directors of our general partner, including the independent directors, is chosen entirely by the owners of our general partner and not our unitholders. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

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

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

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

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in the partnership agreement on the ability of the owners of our general partner to transfer their ownership interest in the general partner to a third party. The new owner of our general partner would then be in a position to replace the board of directors and officers of the general partner with its own choices and thereby influence the decisions taken by the board of directors and officers.

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

We may issue an unlimited number of limited partner interests of any type without the approval of the unitholders. You will not have the right to approve our issuance at any time of equity securities ranking junior to the common units.

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

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

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

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

In establishing cash reserves, our general partner may reduce the amount of available cash for distribution to you.

Subject to the limitations on restricted payments contained in the indenture governing the 10.25% Senior Notes due 2017 and other indebtedness, the master partnership distributes all of our "available cash" each quarter to its limited partners and general partner. "Available cash" is defined in the master partnership's partnership agreement, and it generally means, for each fiscal quarter, all cash and cash equivalents on hand on the date of determination for that quarter less the amount of cash reserves established at the discretion of the general partner to:

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

These reserves will affect the amount of cash available for distribution to you.

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

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

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

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

Tax Risks to Common Unitholders

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

Our business was conducted by an affiliated group of corporations during periods prior to the completion of our initial public offering and, since the initial public offering, continues to be conducted in part by corporate subsidiaries. The amount of cash distributions we receive from our corporate subsidiaries over the next several years will depend in part upon the amount of net operating losses available to those subsidiaries to reduce the amount of income subject to federal income tax they would otherwise pay. These net operating losses will begin to expire in 2019. The amount of net operating losses available to reduce the income tax liability of our corporate subsidiaries in future taxable years could be reduced as a result of audit adjustments in respect to prior taxable years.

CFSI LLC has agreed to indemnify us against additional income tax liabilities, if any, that arise from our operations prior to our initial public offering, and income tax liabilities, if any, that arise from the consummation of the transactions related to our formation in excess of $600,000 if those liabilities are asserted by the IRS or any state taxing authority prior to the expiration of the applicable statutes of limitations for income taxes of Cornerstone, for its taxable period ending with the conversion of Cornerstone into CFSI LLC (generally, three years from the filing of the tax return for such period). Also, CFSI LLC has agreed to indemnify us against any liabilities we may be subject to in the future resulting from a reduction in our net operating losses as a result of such prior operations or as a result of such formation transactions in excess of that which is believed to result from them at the time of our initial public offering. We cannot assure you that we will not ultimately be responsible for any or all of these liabilities, if they occur. Any increase in the tax liabilities of our corporate subsidiaries because of a reduction in net operating losses not recouped under the indemnity will reduce our cash available for distribution.

Changes in the ownership of our units, including the changes occurring as a result of our initial public offering may result in annual limitations on our use of net operating losses available to reduce taxable income, which could increase our tax liabilities and decrease cash available for distribution in future taxable periods.

The use of the net operating losses by our corporate subsidiaries may be limited if the ownership of our units changes such that our corporate subsidiaries are deemed to have an “ownership change” under applicable provisions of the Internal Revenue Code. In general, an ownership change will occur if the percentage of our units, based on the value of the units, owned by certain unitholders or groups of unitholders increases by more than fifty percentage points during a three-year period. For this purpose, the unitholders who acquired interests in us pursuant to our initial public offering will be treated as a single group, as will those persons who acquire units in any subsequent offering we may make. The public group that acquired units in our initial public offering acquired approximately 49% of the total partnership interests that were outstanding immediately after completion of the initial public offering. Those units likely constituted more than 50% of the value of all ownership interests in us. However, applicable Treasury Regulations provide generally that if in a public offering units are issued solely for cash, for purposes of calculating the percentage of ownership change resulting from the transaction, the acquiring unitholders will be deemed to acquire only up to 50% of the number of units they actually acquire. At the time of our initial public offering, our tax counsel opined that the initial public offering should not result in an ownership change. No ruling has been or will be requested from the IRS regarding this issue, and an opinion of counsel represents only the counsel’s legal judgment and does not bind the IRS or the courts. Thus there remains some risk that our initial public offering resulted in an ownership change. If an ownership change did occur, each of our corporate subsidiaries would be restricted annually in its ability to use its net operating losses to reduce its federal taxable income to an amount equal to the value of the corporation on the date of the ownership change multiplied by the applicable federal long-term tax-exempt rate in effect at such time. In the event that the initial public offering did not create an ownership change, our issuance of common units in November of 2005 likely

created an ownership change with respect to the shares of our corporate subsidiaries for the purposes of Section 382 of the Internal Revenue Code. However, we do not believe this ownership change will have a material effect on the use by our corporate subsidiaries of their remaining net operating losses. Nonetheless, to the extent that an annual net operating loss limitation for any one year does restrict the ability of our corporate subsidiaries to use their remaining net operating losses, an increase in tax liabilities of our corporate subsidiaries could result, which would reduce the amount of cash available for distribution to you.

Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to a material amount of additional entity-level taxation by individual states. If the IRS treats us as a corporation for federal tax purposes or we become subject to additional entity-level taxation for state tax purposes, it would reduce the amount of cash available for distribution to you.

Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. Although we do not believe based upon our current operations that we are so treated, a change in our business (or a change in current law) could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35% and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units. Moreover, treatment of us as a corporation could materially and adversely affect our ability to make payment on our debt.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. If any of these states were to impose a tax on us, the cash available for distribution to you would be reduced. The partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts will be adjusted to reflect the impact of that law on us.

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

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

If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted, and the cost of any IRS contest will reduce our cash available for distribution to you.

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

materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

You may be required to pay taxes on income from us even if you do not receive any cash distributions from us.

Because our unitholders will be treated as partners to whom we will allocate taxable income that could be different in amount than the cash we distribute, you will be required to pay any federal income taxes and, in some cases, state and local income taxes on your share of our taxable income even if you receive no cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the actual tax liability that results from that income.

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

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your tax basis in those common units. Because distributions in excess of your allocable share of our net taxable income decrease your tax basis in your common units, the amount, if any, of such prior excess distributions with respect to the units you sell will, in effect, become taxable income to you if you sell such units at a price greater than your tax basis in those units, even if the price you receive is less than your original cost. Furthermore, a substantial portion of the amount realized, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if you sell your units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

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

Investment in common units by tax-exempt entities, such as employee benefit plans individual retirement accounts (known as IRAs) and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including IRA's and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file United States federal tax returns and pay tax on their share of our taxable income. If you are a tax-exempt entity or a non-U.S. person, you should consult your tax advisor before investing in our common units.

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

Due to a number of factors, including our inability to match transferors and transferees of common units, we take depreciation and amortization positions that may not conform to all aspects of the existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns

We have adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of the common units.

When we issue additional units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our

unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

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

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

We will be considered to have terminated our partnership for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once. Our termination would, among other things, result in the closing of our taxable year for all unitholders which would result in our filing two tax returns for one fiscal year and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a calendar year, the closing of our taxable year may result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. The IRS has recently announced a relief procedure whereby if a publicly traded partnership that has technically terminated requests and the IRS grants special relief, among other things, the partnership will be required to provide only a single Schedule K-1 to unitholders for the tax years in which the termination occurs.

You will likely be subject to state and local taxes and filing requirements in jurisdictions where you do not live as a result of an investment in units.

In addition to federal income taxes, you will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property, even if you do not live in any of those jurisdictions. You will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. We own assets or conduct business in a majority of states and in Puerto Rico. Most of these various jurisdictions currently impose, or may in the future impose, an income tax on individuals, corporations and other entities. As we make acquisitions or expand our business, we may own assets or do business in additional states that impose a personal income tax. It is your responsibility to file all United States federal, state and local tax returns.

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

Because a unitholder whose units are loaned to a "short seller" to cover a short sale of units may be considered as having disposed of the loaned units, the unitholder may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller and the unitholder may

recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their units.

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

We generally prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. Nonetheless, we allocate certain deductions for depreciation of capital additions based upon the date the underlying property is put in service. The use of this proration method may not be permitted under existing Treasury Regulations. Recently, however, the U.S. Treasury Department issued proposed Treasury Regulations that provide a safe harbor pursuant to which publicly traded partnerships may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders. Nonetheless, the proposed regulations do not specifically authorize the use of the proration method we have adopted. If the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

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

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. For example, members of Congress have recently considered substantive changes to the existing federal income tax laws that would have affected certain publicly traded partnerships. Any modification to the federal income tax laws and interpretations thereof may or may not be applied retroactively. Although the recently considered legislation would not have appeared to affect our federal income tax treatment as a partnership, we are unable to predict whether any of these changes, or other proposals, will be reconsidered or will ultimately be enacted. Any such changes could negatively impact the value of an investment in our common units.

Item 1B. Unresolved Staff Comments

None.

Table of Contents

Item 2. Properties

Cemeteries and Funeral Homes

The following table summarizes the distribution of our cemetery and funeral properties by state as of December 31, 2009 as well as the weighted average estimated remaining sales life in years for our cemeteries based upon number of interment spaces sold during 2009:

	Cemeteries	Funeral Homes	Total Net acres	Weighted Average Estimated Net Sales Life	Number of Interment Spaces Sold in 2009
Alabama	9	6	305	200	1,308
Arkansas	—	2	—	—	—
California	7	9	270	44	1,787
Colorado	2	—	12	471	30
Delaware	1	—	12	206	23
Florida	—	1	—	—	—
Georgia	7	—	135	125	1,004
Hawaii	1	—	6	201	—
Illinois	7	2	243	204	787
Indiana	6	—	422	338	732
Iowa	1	—	89	300	108
Kansas	2	1	35	163	250
Kentucky	2	—	59	102	296
Maryland	10	1	716	131	1,870
Michigan	3	—	87	494	209
Missouri	3	1	116	298	333
New Jersey	6	—	341	44	1,785
North Carolina	13	—	331	149	2,246
Ohio	12	2	875	204	2,248
Oregon	7	8	181	228	807
Pennsylvania	51	8	2,479	525	2,737
Puerto Rico	2	1	64	110	517
Rhode Island	2	—	70	1,067	24
South Carolina	8	3	395	162	1,166
Tennessee	8	5	428	285	1,077
Virginia	29	2	773	169	2,385
Washington	3	2	33	56	161
West Virginia	33	4	1,404	389	1,954
Total	235	58	9,881	226	25,842

We calculated estimated remaining sales life for each of our cemeteries by dividing the number of unsold interment spaces by the number of interment spaces sold at that cemetery in the most recent year. For purposes of estimating remaining sales life, we defined unsold interment spaces as unsold burial lots and unsold spaces in existing mausoleum crypts as of December 31, 2009. We defined interment spaces sold in 2009 as:

- the number of burial lots sold, net of cancellations;
- the number of spaces sold in existing mausoleum crypts, net of cancellations; and
- the number of spaces sold in mausoleum crypts that we have not yet built, net of cancellations.

We count the sale of a double-depth burial lot as the sale of one interment space even though a double-depth burial lot includes two interment rights. We count an unsold double-depth burial lot as one unsold interment space. Because our sales of cremation niches were immaterial, we did not include cremation niches in the

calculation of estimated remaining sales life. When calculating estimated remaining sales life, we did not take into account any future cemetery expansion. In addition, sales of an unusually high or low number of interment spaces in a particular year affect our calculation of estimated remaining sales life. Future sales may differ from previous years' sales, and actual remaining sales life may differ from our estimates. We calculated the weighted average estimated remaining sales life by aggregating unsold interment spaces and interment spaces sold on a state-by-state or company-wide basis. Based on the number of interment spaces sold in 2009, we estimate that our cemeteries have an aggregate weighted average remaining sales life of 226 years.

The following table shows the cemetery properties that we owned or operated as of December 31, 2009, grouped by estimated remaining sales life:

	0 - 25 years	26 - 49 years	50 - 100 years	101 - 150 years	151 - 200 years	Over 200 years
Alabama	—	—	3	2	1	3
California	3	1	2	—	—	1
Colorado	—	—	—	—	—	2
Delaware	—	—	—	—	—	1
Georgia	1	—	2	2	—	2
Hawaii	—	—	—	—	—	1
Illinois	—	—	1	2	2	2
Indiana	—	1	—	—	—	5
Iowa	—	—	—	—	—	1
Kansas	—	—	1	—	—	1
Kentucky	—	1	—	—	1	—
Maryland	1	1	4	—	—	4
Michigan	—	—	—	—	—	3
Missouri	—	—	—	1	—	2
New Jersey	1	3	2	—	—	—
North Carolina	—	—	2	3	5	3
Ohio	—	1	3	—	—	8
Oregon	—	—	1	3	—	3
Pennsylvania	3	2	1	7	3	35
Puerto Rico	—	—	1	—	—	1
Rhode Island	—	—	—	—	—	2
South Carolina	—	2	—	2	1	3
Tennessee	—	—	—	—	1	7
Virginia	2	1	3	3	4	16
Washington	1	—	2	—	—	—
West Virginia	4	2	2	—	4	21
Total	16	15	30	25	22	127

We believe that we have either satisfactory title to or valid rights to use all of our cemetery properties. The 16 cemetery properties that we operate under long-term operating agreements are held by cemetery associations that are owned by the cemetery lot holders or have no legal owners. We believe that the cemetery associations have either satisfactory title to or valid rights to use these 16 cemetery properties and that we have valid rights to use these properties under the operating agreements. Although title to the cemetery properties is subject to encumbrances such as liens for taxes, encumbrances securing payment obligations, easements, restrictions and immaterial encumbrances, we do not believe that any of these burdens should materially detract from the value of these properties or from our interest in these properties, nor should these burdens materially interfere with the use of our cemetery properties in the operation of our business as described above. Many of our cemetery properties are located in zoned regions, and we believe that cemetery use is permitted for those cemeteries either (1) as expressly permitted under applicable zoning ordinances; (2) through a special exception to applicable zoning designations; or (3) as an existing non-conforming use.

Other

In January of 2008, we relocated our home office to a 37,000 square foot leased space in Levittown, Pennsylvania. The lease has a term expiring in 2020, and we consider the space to be adequate for our present and anticipated future requirements. We are also tenants under various leases covering office spaces other than our corporate headquarters.

In addition, we own a 13,500-square-foot plant in Butler County, Pennsylvania, where we manufacture burial vaults used in our cemetery operations, and we own a 4,800-square-foot building in Marion, Virginia, which is no longer being used in our business.

Item 3. Legal Proceedings

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

Item 4. (Removed and Reserved)

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common units are listed on the NASDAQ Global Select Market ("Nasdaq") under the symbol "STON". As of March 15, 2010, there were 13,357,585 common units outstanding, representing a 98.0% limited partner interest in us. As of February 26, 2010, there were 55 unitholders of record, representing approximately 11,234 beneficial holders. The following table sets forth the high and low sale prices of our common units for the periods indicated, based on the daily composite listing of common unit transactions for the Nasdaq.

	Price range		Declared
Quarter ended	High	Low	Distributions (1)
March 31, 2008	$20.22	$16.60	$ 0.5150
June 30, 2008	$19.85	$16.65	$ 0.5350
September 30, 2008	$18.73	$13.50	$ 0.5550
December 31, 2008	$14.80	$ 8.69	$ 0.5550
March 31, 2009	$15.42	$ 9.55	$ 0.5550
June 30, 2009	$17.15	$11.15	$ 0.5550
September 30, 2009	$18.00	$14.50	$ 0.5550
December 31, 2009	$20.00	$16.50	$ 0.5550

(1) Distributions were declared and paid within 45 days of the close of each quarter.

CASH DISTRIBUTION POLICY

Quarterly Distributions of Available Cash

General

Within 45 days after the end of each quarter, we will distribute all of our available cash to unitholders of record on the applicable record date.

Available cash for any quarter consists of cash on hand at the end of that quarter, plus cash on hand from working capital borrowings made after the end of the quarter but before the date of determination of available cash for the quarter, less cash reserves. Cash and other investments held in merchandise trusts and perpetual care trusts are not treated as available cash until they are distributed to us.

Conversion of Subordinated Units

During the quarter ended September 30, 2009, we met the final early conversion test of our subordinated units and accordingly, all remaining subordinated units converted into common units on November 13, 2009.

Any reference to, or any explanation related to subordinated units and their respective distribution rights are no longer applicable. All prior units considered to be subordinated units are now common units with equal distribution priority rights of all other common units.

General Partner Interest and Incentive Distribution Rights

Our general partner is entitled to 2% of all distributions that we make prior to our liquidation. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its 2% general partner interest. The general partner's 2% interest in these distributions may be reduced if we issue additional units in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its 2% general partner interest.

Our general partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 50%, of the cash we distribute from operating surplus in excess of $0.5125 per unit. The maximum distribution of 50% includes distributions paid to the general partner on its 2% general partner interest but does not include any distributions that the general partner may receive on units that it owns.

Operating Surplus and Capital Surplus

General

All cash distributed to unitholders is characterized as either "operating surplus" or "capital surplus." We distribute available cash from operating surplus differently than available cash from capital surplus. We treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus.

Operating Surplus

Operating surplus consists of:

- our cash balance on September 20, 2004; plus
- $5.0 million (as described below); plus
- cash receipts from our operations, including cash withdrawn from merchandise and perpetual care trusts; plus
- working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for that quarter; less

- operating expenditures, including cash deposited in merchandise and perpetual care trusts, maintenance capital expenditures and the repayment of working capital borrowings; less
- the amount of cash reserves for future operating expenditures and maintenance capital expenditures.

As reflected above, operating surplus includes $5.0 million in addition to our cash balance on September 20, 2004, cash receipts from our operations and cash from working capital borrowings. This amount does not reflect actual cash on hand that is available for distribution to our unitholders. Rather, it is a provision that will enable us, if we choose, to distribute as operating surplus up to $5.0 million of cash we receive in the future from non-operating sources, such as asset sales outside the ordinary course of business, sales of our equity and debt securities, and long-term borrowings, that would otherwise be distributed as capital surplus.

As described above, operating surplus is reduced by the amount of our maintenance capital expenditures but not our expansion capital expenditures. For our purposes, maintenance capital expenditures are those capital expenditures required to maintain, over the long term, the operating capacity of our capital assets, and expansion capital expenditures are those capital expenditures that increase, over the long term, the operating capacity of our capital assets.

Examples of maintenance capital expenditures include costs to build roads and install sprinkler systems on our cemetery properties and purchases of equipment for those purposes and, in most instances, costs to develop new areas of our cemeteries. Examples of expansion capital expenditures include costs to identify and complete acquisitions of new cemeteries and funeral homes and to construct new funeral homes. Costs to construct mausoleum crypts and lawn crypts may be considered to be a combination of maintenance capital expenditures and expansion capital expenditures. Our general partner, with the concurrence of its conflicts committee, may allocate capital expenditures between maintenance capital expenditures and expansion capital expenditures and may determine the period over which maintenance capital expenditures will be subtracted from operating surplus.

As described above, operating surplus is reduced by the amount of our operating expenditures. Our partnership agreement specifically excludes certain items from the definition of operating expenditures, such as cash expenditures made for acquisitions or capital improvements, including, without limitation, all cash expenditures, whether or not expensed or capitalized for tax or accounting purposes, incurred during the first four years following an acquisition in order to bring the operating capacity of the acquisition to the level expected to be achieved in the projections forming the basis on which our general partner approved the acquisition. Examples of such cash expenditures include certain maintenance capital expenditures and cash expenditures that we believe are necessary to develop the pre-need sales programs of businesses or assets we acquire. Where cash expenditures are made in part for acquisitions or capital improvements and in part for other purposes, our general partner, with the concurrence of our conflicts committee, will determine the allocation between the amounts paid for each and the period over which cash expenditures made for other purposes will be subtracted from operating surplus.

Capital Surplus

Capital surplus consists of:

- Borrowings other than working capital borrowings;
- sales of our equity and debt securities; and
- sales or other dispositions of assets for cash (other than sales or other dispositions of excess cemetery property up to an aggregate amount in any four-quarter period calculated pursuant to our Partnership Agreement; sales or other dispositions of inventory, accounts receivable and other current assets in the ordinary course of business; and sales or other dispositions of assets as a part of normal retirements or replacements).

The exception for sales of excess cemetery property in any four-quarter period beginning with the quarter ending September 30, 2008 generally is calculated by multiplying $1 million by a fraction, the numerator of which is the number of cemeteries and funeral homes owned and operated by us on the last day of the quarter in which the sale occurs and the denominator of which is 139. Prior to the third quarter of 2008, the exception for sales of excess cemetery property was $1 million, which was subject to increase by our general partner, with the concurrence of its conflicts committee, if the size of our operations increased as a result of acquisitions or other expansions.

Distributions of Available Cash from Operating Surplus

The following table illustrates the priority of distributions of available cash from operating surplus between the unitholders and our general partner as a result of the conversion of all subordinated units during the subordination period, which ended in the fourth quarter of 2009. During the subordination period the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.4625 per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. The amounts set forth in the table in the column titled “Marginal Percentage Interest in Distributions” are the percentage interests of our general partner and the unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column titled “Total Quarterly Distribution Target Amount,” until the available cash from operating surplus that we distribute reaches the next target distribution level, if any. The percentage interests shown for our general partner include its 2% general partner interest and assume the general partner has contributed any additional capital required to maintain its 2% general partner interest and has not transferred the incentive distribution rights.

		Marginal Percentage Interest in Distributions	
	Total Quarterly Distribution Target Amount	Common Unitholders	General Partner
Minimum Quarterly Distribution	up to $0.4625	98%	2%
Arrearages on Minimum Quarterly Distribution	up to $0.4625	98%	2%
Second Target Distribution	Above $0.5125 to $0.5875	85%	15%
Third Target Distribution	Above $0.5875 to $0.7125	75%	25%
Thereafter	Above $0.7125	50%	50%

Distributions of Available Cash from Capital Surplus

We do not currently expect to make any distributions of available cash from capital surplus. However, to the extent that we make any distributions of available cash from capital surplus, they will be made in the following manner:

- *first*, 98% to common unitholders, pro rata, and 2% to our general partner, until we have distributed for each common unit an amount of available cash from capital surplus equal to the initial public offering price;
- *second* , 98% to the common unitholders, pro rata, and 2% to our general partner, until we have distributed for each common unit an amount of available cash from capital surplus equal to any unpaid arrearages in payment of the minimum quarterly distribution on the common units; and
- *thereafter*, we will make all distributions of available cash from capital surplus as if they were from operating surplus

The partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from the initial public offering, which is a return of capital. The initial public offering price less any distributions

of capital surplus per unit is referred to as the “unrecovered initial unit price.” Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price.

Because distributions of capital surplus will reduce the minimum quarterly distribution, after any of these distributions are made, it may be easier for the general partner to receive incentive distributions. Any distribution of capital surplus before the unrecovered initial unit price is reduced to zero cannot be applied, however, to the payment of the minimum quarterly distribution or any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters.

If we distribute capital surplus on a unit in an amount equal to the initial unit price and have paid all arrearages on the common units, the minimum quarterly distribution and the target distribution levels will be reduced to zero. Once the minimum quarterly distribution and target distribution levels are reduced to zero, all subsequent distributions will be from operating surplus, with 50% being paid to the holders of units and 50% to our general partner.

Adjustment of Minimum Quarterly Distribution and Target Distribution Levels

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, if we combine our units into fewer units or subdivide our units into a greater number of units, we will proportionately adjust:

- the minimum quarterly distribution;
- the target distribution levels;
- the unrecovered initial unit price;

For example, if a two-for-one split of the common units should occur, the minimum quarterly distribution, the target distribution levels and the unrecovered initial unit price would each be reduced to 50% of its initial level. We will not make any adjustment by reason of the issuance of additional units for cash or property.

In addition, if legislation is enacted or if existing law is modified or interpreted in a manner that causes us to become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, we will reduce the minimum quarterly distribution and the target distribution levels for each quarter by multiplying each distribution level by a fraction, the numerator of which is available cash for that quarter and the denominator of which is the sum of available cash for that quarter plus our general partner’s estimate of our aggregate liability for the income taxes payable by reason of that legislation or interpretation. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference will be accounted for in subsequent quarters.

Distributions of Cash Upon Liquidation

If we dissolve in accordance with the partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds to the unitholders and our general partner, in accordance with their respective capital account balances, as adjusted to reflect any taxable gain or loss upon the sale or other disposition of our assets in liquidation.

The allocations of taxable gain upon liquidation are intended, to the extent possible, to allow the holders of common units to receive proceeds equal to their unrecovered initial unit price plus the minimum quarterly distribution for the quarter during which liquidation occurs plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters prior to any allocation of gain to the common

units. There may not be sufficient taxable gain upon our liquidation to enable the holders of common units to fully recover all of these amounts. Any additional taxable gain will be allocated in a manner intended to allow our general partner to receive proceeds in respect of its incentive distribution rights.

If there are losses upon liquidation, they will first be allocated to the general partner and then to the common units and the general partner interest until the capital accounts of the common units have been reduced to zero. Any remaining loss will be allocated to the general partner interest.

Equity Compensation Plan Information

See the equity compensation plan table set forth in Part III, Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

Table of Contents

Item 6. Selected Financial Data

The following tables present selected financial and operating data of the Company for the periods and as of the dates indicated derived from our audited consolidated financial statements. The following tables should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited historical consolidated financial statements and accompanying notes thereto set forth in this Annual Report on Form 10-K.

Table 1: Operating and net income data

	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in, thousands, except for unit data)				
Cemetery revenues					
Merchandise	$ 87,836	$ 90,968	$ 74,509	$ 58,219	$ 54,421
Services	36,947	36,894	28,547	25,555	19,346
Investment and other	33,055	31,623	31,476	25,221	24,095
Funeral home revenues					
Merchandise	9,701	9,249	4,655	2,696	1,200
Services	13,665	14,714	6,127	3,422	1,598
Total revenues	181,203	183,448	145,314	115,113	100,660
Cost of goods sold (exclusive of depreciation shown separately below):					
Perpetual care	4,727	4,326	3,553	3,109	2,575
Merchandise	17,120	18,556	16,118	11,583	11,323
Cemetery expense	41,246	41,651	30,767	24,344	20,942
Selling expense	34,123	34,806	29,245	23,186	20,072
General and administrative expense	22,498	21,372	15,684	12,801	10,553
Overhead (including unit-based compensation of $1,576 in 2009, $2,262 in 2008, $4,741 in 2007 and $1,212 in 2006 (1)	22,370	21,293	24,991	19,795	16,304
Depreciation and amortization	6,390	5,029	3,891	3,501	3,510
Funeral home expense					
Merchandise	3,716	3,684	1,575	1,004	397
Services	9,275	9,073	4,198	2,285	1,082
Other	6,014	6,308	2,649	1,547	903
Acquisition related costs	2,292	—	—	—	—
Total costs and expenses	169,772	166,098	132,671	103,155	87,661
Operating profit	11,431	17,350	12,643	11,958	12,999
Gain on sale of funeral home	434	—	—	—	—
Gain on acquisitions	4,435	—	—	—	—
(Decrease) in fair value of interest rate swap	(2,681)	—	—	—	—
Expenses related to refinancing (2)	2,242	—	157	—	—
Interest expense	14,409	12,714	9,075	7,491	6,457
Income (loss) before income taxes	(3,031)	4,636	3,411	4,467	6,542
Income taxes (benefit)					
State	808	304	398	438	587
Federal	(2,762)	(224)	227	989	1,250
Total income taxes	(1,954)	80	625	1,427	1,837
Net income (loss)	$ (1,077)	$ 4,556	$ 2,786	$ 3,040	$ 4,705
Net income (loss) per limited partner (common) unit (basic and diluted)	$ (0.09)	$ 0.38	$ 0.30	$ 0.34	$ 0.54

(1) Includes a write-off of $571,000 in 2007 incurred in connection with a potential acquisition of a group of cemeteries in Michigan that we determined were unlikely to take place. Also includes bonuses of $3.2 million and $2.0 million in 2007 and 2006 respectively, unit-based compensation of $1.6 million, $2.3 million, $4.7 million and $1.2 million in 2009, 2008, 2007 and 2006 respectively and an $883,000 reserve for the write-off of our investment in a management agreement in 2006 for an agreement that was subsequently terminated.

(2) Represents write-downs in previously capitalized debt issuance costs.

Table 2: Balance Sheet Data

	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands)				
Cemetery property	$ 235,357	$ 228,499	$ 187,552	$ 171,714	$ 164,772
Total assets (1)	858,889	738,240	816,862	629,592	551,487
Deferred cemetery revenues, net (2)	258,978	193,017	220,942	196,103	167,035
Total debt	183,199	160,934	146,164	103,492	86,945
Total unit-holder equity	$ 115,248	$ 119,389	$ 136,746	$ 101,288	$ 109,600

(1) Includes the fair value of assets held in the merchandise and perpetual care trusts. Refer to Note 1 of our Consolidated Financial Statements for a detailed discussion of the consolidation rules for these assets.

(2) Represents revenues to be recognized from the sale of merchandise and services. Refer to Note 1 of our Consolidated Financial Statements for a detailed discussion on the revenue recognition rules.

Table 3: Cash Flow and Other Financial Data

	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands, except unit data)				
Net cash provided by (used in):					
Operating activities	$ 13,498	$ 21,144	$ 18,973	$ 18,339	$ 17,589
Investing activities	(10,949)	(17,046)	(86,777)	(14,625)	(15,286)
Financing activities	3,862	(10,830)	71,690	(725)	(9,852)
Change in assets and liabilities that provided (used) cash:					
Merchandise trust	(6,133)	(453)	(5,223)	(3,517)	10,473
Merchandise liability	(4,343)	(5,366)	(7,171)	(8,109)	(7,224)
Capital expenditures					
Maintenance capital expenditures	2,524	4,809	3,051	2,059	2,192
Expansion capital expenditures, including acquisitions	8,859	12,237	83,726	20,532	18,994
Distributions declared per common unit	$ 2.2200	$ 2.1600	$ 2.0450	$ 1.9500	$ 1.8625

Table of Contents

Table 4: Operating Data

	Year ended December 31,				
	2009	2008	2007	2006	2005
Interments performed	37,782	38,863	29,380	26,003	22,263
Cemetery revenues per interment performed (1)	$ 4,196	$ 4,104	$ 4,579	$ 4,192	$ 4,396
Interment rights sold (2)					
Lots (1)	22,637	22,552	17,509	13,769	12,758
Mausoleum crypts (including pre-construction)	2,316	1,881	2,314	2,361	2,163
Niches	889	864	602	440	409
Net interment rights sold (1) (2)	25,842	25,297	20,425	16,570	15,330
Number of contracts written	83,043	80,144	63,026	54,675	46,510
Aggregate contract amount, in thousands (excluding interest)	$ 197,787	$ 187,093	$ 138,588	$ 116,407	$ 96,642
Average amount per contract (excluding interest)	$ 2,382	$ 2,334	$ 2,199	$ 2,129	$ 2,078
Number of pre-need contracts written	39,043	35,599	29,546	24,999	21,306
Aggregate pre-need contract amount, in thousands (excluding interest)	$ 124,997	$ 115,024	$ 89,486	$ 74,301	$ 63,415
Average amount per pre-need contract (excluding interest)	$ 3,202	$ 3,231	$ 3,029	$ 2,972	$ 2,976
Number of at-need contracts written	44,000	44,545	33,480	29,676	25,204
Aggregate at-need contract amount, in thousands (excluding interest)	$ 72,790	$ 72,068	$ 49,102	$ 42,106	$ 33,227
Average amount per at-need contract (excluding interest)	$ 1,654	$ 1,618	$ 1,467	$ 1,419	$ 1,318

(1) Excludes the sale of a tract of land equivalent to 1,881 burial lots at $1.7 million in 2005.
(2) Net of cancellations. Sales of double-depth burial lots are counted as two sales.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and notes thereto included in Item 8 of this Annual Report on Form 10-K. Those notes also give more detailed information regarding the basis of presentation for the following information.

Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K, including, but not limited to, information regarding the status and progress of our operating activities, the plans and objectives of our management, assumptions regarding our 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 of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "believe," "may," "will," "estimate," "continues," "anticipate," "intend," "project," "expect," "predict" and similar expressions identify these forward-looking 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: uncertainties associated with future revenue and revenue growth; the impact of our significant leverage on our operating plans; our ability to service our debt; changes in the fair value of certain equity and debt securities held in our trusts; our ability to attract, train and retain an adequate number of sales people; uncertainties associated with the volume and timing of pre-need sales of cemetery services and products; increased use of cremation; changes in the death rate; changes in the political or regulatory environments, including potential changes in tax accounting and trusting policies; our ability to successfully implement a strategic plan relating to producing operating improvements; and various other uncertainties associated with the death care industry and our operations in particular.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements set forth under Risk Factors in Part I, "Item 1A". We assume no obligation to 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.

Organization

We were organized on April 2, 2004 to own and operate the cemetery and funeral home business conducted by Cornerstone and its subsidiaries. On September 20, 2004, in connection with our initial public offering of common units representing limited partner interests, Cornerstone contributed to us substantially all of its assets, liabilities and businesses, 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 us.

Cornerstone had been 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 us, acquired 111 additional cemeteries and 54 funeral homes, entered into three long term cemetery operating agreements, built two funeral homes, exited from one long term cemetery operating agreement and sold one cemetery and two funeral homes.

Capitalization

On September 20, 2004, we completed our 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, we 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. Subsequent to this transaction, there were 4,239,782 common units and 4,239,782 subordinated units outstanding. Total gross proceeds from the initial public offering and the exercise of the over-allotment option were $86.6 million, before offering costs and underwriting discounts. Net proceeds, 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, our wholly owned subsidiary, StoneMor Operating LLC, and its subsidiaries (collectively "StoneMor LLC"), 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. 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.

On December 21, 2007, we completed a follow on public offering of 2,650,000 common units at a price of $20.26 per unit representing a 22.2% interest in us, making a total of 8,505,725 common units outstanding. In conjunction with this offering, our general partner contributed $1.1 million to maintain its 2% general partner interest. Total gross proceeds from this public offering were $54.8 million, before offering costs and underwriting discounts. Net proceeds, after deducting underwriting discounts but before paying offering costs, from these sales of common units were $51.8 million.

Concurrent with this follow on public offering, StoneMor LLC, all as borrowers, issued $17.5 million in aggregate principal amount of senior secured notes. The net proceeds of the public offering and the sale of senior secured notes and borrowings of $6.3 million under our acquisition line of credit were used to purchase 45 cemeteries and 30 funeral homes from Service Corporation International (NYSE: SCI).

On November 24, 2009, we completed the second follow on public offering of 1,275,000 common units at a price of $17.00 per unit representing a 9.5% interest in us. On December 7, 2009, we sold an additional 191,250 common units in connection with the exercise of the underwriter's over-allotment option. In conjunction with this offering, our general partner contributed $0.51 million to maintain its 2% general partner interest. Total gross proceeds from these transactions were $25.4 million, before offering costs and underwriting discounts. Net proceeds, after deducting underwriting discounts and offering expenses were $24.2 million.

Concurrent with this second follow on public offering, certain of our subsidiaries made a private offering to eligible purchasers of $150.0 million aggregate principal amount of senior notes due 2017. The net proceeds from this offering, after deducting the original issue discount and fees were approximately $138.1 million. The net proceeds of the second follow on public offering, the general partner contribution and the offering of senior notes of $162.5 million was used to pay off debt and accrued interest of approximately $154.9.The remaining proceeds will be used for general partnership purposes.

Overview

Cemetery Operations

General

We are currently the second largest owner and operator of cemeteries in the United States. As of December 31, 2009, we operated 235 cemeteries in 24 states and Puerto Rico. We own 219 of these cemeteries, and we operate the remaining 16 under management or operating agreements with the non-profit cemetery corporations that own the cemeteries. As a result of the agreements, other control arrangements and applicable accounting rules, we consolidate the results of such 16 cemeteries in our consolidated financial statements.

We sell cemetery products and services both at the time of death, which we refer to as at-need, and prior to the time of death, which we refer to as pre-need. During the year ended December 31, 2009, we performed approximately 37,782 burials and sold approximately 25,842 interment rights (net of cancellations) compared to 38,863 and 25,297 in 2008 and 29,380 and 20,425 in 2007, respectively. Cemetery revenues accounted for approximately 87.1%, 86.9% and 92.6% during the years ended December 31, 2009, 2008 and 2007 respectively.

Revenues

We derive our cemetery revenues primarily from:

- at-need sales of cemetery interment rights, merchandise and services, which we recognize as revenue when we have delivered the underlying merchandise or performed the underlying services;
- pre-need sales of cemetery interment rights, which we generally recognize as revenue when we have collected 10% of the sales price from the customer;
- pre-need sales of cemetery merchandise, which we recognize as revenue when we have delivered the underlying merchandise or performed the underlying services. The criteria for meeting this delivery requirement generally means that;
  1. the merchandise has been completed; and
  2. the merchandise is either installed or stored at an independent off-site location, at no additional cost to us, and specifically identified with a particular customer; and
  3. the risks and rewards of ownership have passed on to the customer.
- pre-need sales of cemetery services, which we recognize as revenues when we perform the services for the customer;
- investment income from assets held in our merchandise trust, which we recognize as revenues when we deliver the underlying merchandise or perform the underlying services and recognize the associated sales revenue as discussed above;
- investment 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.

Pre-need Sales

Pre-need products and services are typically sold on an installment basis. Pre-need sales are subject to state law “cooling-off” periods, during which the customer may elect to cancel the contract and receive a full refund of amounts paid.

As previously noted, we do not recognize revenue on pre-need sales of merchandise and services until we have delivered the merchandise or performed the services. Accordingly, pre-need sales for which we have not as of yet recognized revenue are carried as a liability on our balance sheet (“deferred revenues”).

In certain cases, pre-need contracts will be cancelled before they are fully paid. In these circumstances, we are generally permitted to retain amounts already paid to us, including any amounts that were required to be deposited into trust.

In certain other cases, the products and services purchased under a pre-need contract are needed for interment before payment has been made in full. In these cases, we are generally entitled to be immediately paid in full for any amounts still outstanding.

Pre-need sales contracts normally contain provisions for both principal and interest. For those contracts that do not bear a market rate of interest, we impute such interest based upon the prime rate plus 150 basis points (this resulted in a rate of 4.75% for contracts entered into during 2009, 9.0% for contracts entered into during 2008 and 9.75% for contracts entered into during 2007 respectively) in order to segregate the principal and interest component of the total contract value.

We normally offer prepayment incentives to customers whose pre-need contracts are longer than 36 months and bear interest. If those customers pay their contracts in full in less than 12 months, we rebate the interest that we have collected from them. Even though this rebate policy reduces the amount of interest income we receive on our accounts receivable, the net effect is an increase in our immediate cash flow.

At-need Sales

Revenue on at-need merchandise sales is deferred until the time that such merchandise is delivered. The lag between the contract origination and delivery is normally minimal. We are not required to deposit any amounts from our at-need sales into merchandise trusts.

Expenses

We analyze and categorize our operating expenses as follows:

1. Cost of goods sold and selling expenses

Cost of goods sold reflects the actual cost of purchasing products and performing services. Sales of cemetery lots and interment rights, whether at-need or pre-need, typically have a lower cost of goods sold than other merchandise that we sell.

Selling expenses consist of salesperson and sales management payroll costs, including selling commissions, bonuses and employee benefits. We self-insure medical expenses of our employees up to certain individual and aggregate limits over which we have stop-loss insurance coverage. Our self-insurance policy may result in variability in our future operating expenses. Selling expenses also includes other costs of obtaining product and service sales, such as advertising, marketing, postage and telephone.

Direct costs associated with pre-need sales of cemetery merchandise and services, such as sales commissions and cost of goods sold, are reflected in the balance sheet in deferred selling and obtaining costs and deferred cemetery revenues, net, respectively and are expensed as the merchandise is delivered or the services are performed. Indirect costs, such as marketing and advertising costs, are expensed in the period in which they are incurred.

2. Cemetery Expenses

Cemetery expenses represent the cost to maintain and repair our cemetery properties and consist primarily of labor and equipment, utilities, real estate taxes and other maintenance items. Repairs necessary to maintain our cemeteries are expensed as they are incurred. Other maintenance costs required over the long term to maintain the operating capacity of our cemeteries, such as to build roads and install sprinkler systems, are capitalized.

3. General and administrative expenses

General and administrative expenses, which do not include corporate overhead, primarily includes personnel costs, insurance and other costs necessary to maintain our cemetery offices.

4. Depreciation and amortization

We depreciate our property and equipment on a straight-line basis over their estimated useful lives.

5. Acquisition related costs

On January 1, 2009, we adopted Accounting Standards Codification No. 805 (“ASC 805”). Among other things, ASC 805 requires that costs incurred in acquisition related activities be expensed as incurred. Acquisition related costs include legal fees and other third party costs incurred in acquisition related activities.

Funeral Home Operations

As of December 31, 2009, we owned and operated 58 funeral homes. These properties are located within the contiguous United States and in Puerto Rico. Twenty six of our 58 funeral homes are located on the grounds of cemeteries that we own.

We derive revenues at our funeral homes 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. We sell these services and merchandise almost exclusively at the time of need utilizing salaried licensed funeral directors. Funeral home revenues accounted for approximately 12.9%, 13.1% and 7.4% during the years ended December 31, 2009, 2008 and 2007 respectively.

Our funeral home operating expenses consist primarily of compensation to our funeral directors, day to day costs of managing the business and the cost of caskets.

Corporate

We incur fixed costs for corporate overhead primarily for centralized functions, such as payroll, accounting, collections and professional fees. We also incur expenses relating to reporting requirements under U.S. federal securities laws and certain other additional expenses of being a public company.

Revenues by State

The following table shows the percentage of revenues attributable to each of the states in which we operate for the periods presented:

	Year ended December 31,		
	2009	2008	2007
Alabama	4.6%	4.7%	4.6%
California	10.3%	11.0%	0.2%
Florida	0.1%	1.8%	0.0%
Georgia	1.6%	1.8%	2.0%
Illinois	2.4%	2.4%	0.5%
Indiana	2.4%	2.6%	0.3%
Kansas	1.6%	1.5%	2.1%
Maryland	7.3%	8.0%	8.6%
Michigan	1.3%	1.3%	1.7%
Missouri	1.5%	1.6%	1.3%
New Jersey	8.0%	9.8%	12.4%
North Carolina	6.3%	5.7%	5.9%
Ohio	8.2%	6.6%	4.2%
Oregon	4.2%	3.7%	2.9%
Pennsylvania	17.0%	17.6%	27.8%
Tennessee	2.4%	2.1%	1.2%
Virginia	8.1%	8.5%	12.6%
West Virginia	7.3%	6.7%	9.7%
All others	5.5%	2.6%	2.0%
Total	100.0%	100.0%	100.0%

Principal Products and Services

The following table shows the percentage of revenues attributable to our principal products, services and other items during the periods presented:

	Year ended December 31,		
	2009	2008	2007
Pre-need sales:			
Burial lots	9.7%	9.1%	7.3%
Mausoleum crypts	4.7%	5.7%	6.1%
Markers	5.6%	4.8%	7.0%
Grave marker bases	1.4%	1.2%	2.7%
Burial vaults	5.0%	4.4%	5.6%
Lawn crypts	1.0%	0.8%	0.9%
Caskets	1.5%	2.5%	4.3%
Initial openings and closings (1)	5.9%	5.1%	5.9%
Other (2)	5.3%	3.5%	2.8%
Total pre-need sales	40.2%	37.1%	42.7%
Interest from pre-need sales	3.2%	2.9%	3.2%
Investment income from trusts:			
Perpetual care trusts	7.0%	7.5%	8.8%
Merchandise trusts	3.8%	3.6%	5.4%
Total investment income from trusts	10.8%	11.1%	14.2%
At-need sales			
Openings and closings (3)	12.5%	12.8%	11.9%
Markers	7.5%	9.3%	7.9%
Burial lots	3.9%	4.0%	3.0%
Mausoleum crypts	1.6%	1.5%	1.5%
Grave marker bases	1.5%	2.2%	2.4%
Foundations and inscriptions (4)	1.0%	1.2%	1.2%
Burial vaults	1.8%	2.0%	1.4%
Other (5)	1.8%	1.9%	1.4%
Total at-need sales	31.7%	35.0%	30.8%
Funeral home revenues	12.9%	13.1%	7.4%
Other revenues (6)	1.2%	0.8%	1.7%
Total revenues	100.0%	100.0%	100.0%

(1) Installation of the burial vault into the ground.
(2) Includes revenues from niches, mausoleum lights, cremations, pet cemeteries, installation of burial vaults and markers sold to our customers by third parties and pre-need sales made in connection with the relocation of other cemetery interment rights. Also includes document processing fees on pre-need contracts and fees from sales of travel care protection, which covers shipping costs of a body if death occurs more than 100 miles from the place of residence.
(3) Installation of the burial vault into the ground and the placement of the casket into the vault.
(4) Installation of the marker on the ground and its inscription.
(5) Includes revenues from lawn crypts, decorative lights installed on mausoleum crypts, installations of burial vaults, markers sold to our customers by third parties, cremation fees and document-processing fees on at-need contracts.
(6) Includes sales of manufactured burial vaults to third parties, sales of cemetery and undeveloped land, commissions from sales of pre-need funeral and death benefit insurance policies provided through a third-party insurer and other miscellaneous revenues.

Cash Flow

Pre-need sales often generate short-term cash flow deficits due to the timing of when we receive amounts from customers, pay related commissions and deposit amounts into the perpetual care and merchandise trusts.

We generally require customers to make a down payment on a pre-need contract of at least 5% of the total sales price. When we receive a payment from a customer on a pre-need contract, we first deposit the requisite portion into trust as required by state law. Then, we pay all or a portion of the commission due to the salesperson responsible for the sale up to a maximum of total cash received. In many cases, the sum of the commission paid and amount deposited into the trust exceeds the total cash received, causing a short-term cash flow deficit.

If the down payment received from the customer is not sufficient to cover the entire commission, the remaining commission is paid from subsequent installments, but only to the extent of 80% of the cash received from the customer in each installment. Again, in the near-term there is a possibility that the sum of the commission paid and amount deposited into the trust exceeds the total cash received, causing an additional short-term cash flow deficit. These short-term deficits are eventually recaptured as the total amount received exceeds the commissions paid and we meet the requirements for withdrawing amounts deposited into the merchandise trust.

The following example assumes a pre-need contract with a total sales price of $1,000, a 10% down payment, a 40% perpetual care and merchandise trusting requirement, a 15% sales commission and a one-year term without interest, our short-term cash flow would be as follows:

- When we receive the $100 down payment from the customer, we would deposit 40% of the payment, or $40 in trust and pay 100% of the commission due to the salesperson, or $150, but only to the extent that we received cash from the customer, or $100. Our total cash obligations would be $140 even though we only received $100 from the customer. We would use $40 of our operating cash to pay the sales commission and, at this time, would be cash flow negative on the contract.
- In month one, when we receive the first $75 installment from the customer, we would deposit 40%, or $30, into trust and pay 100% of the balance of the commission due to the sales person, or $50. Our total cash obligations would be $80 even though we only received $75 from the customer. We would use $5 of our operating cash to pay sales commission and would still be cash flow negative on the contract.
- In month two, when we receive the next $75 installment from the customer, we would deposit 40%, or $30, into trust, but we would have no further commission due on the sale. The remaining $45 received from the customer would go back into our operating cash, and we would break even on the contract on a cash-flow basis.
- In month three, when we receive the next $75 installment from the customer, we would deposit 40%, or $30, into trust and the remaining $45 would go back into our operating cash. In this month, we would become cash flow positive on the contract.

We can accelerate our operating cash flow by purchasing and delivering many of our products in advance of the time of customer need, either by installing them in the customer’s burial space (in the case of burial vaults) or storing them for the customer, and by performing certain services prior to the time of need. For example, within the allowances of state law, we purchase burial vaults, grave markers and caskets, and perform initial openings and closings to install the burial vault in the ground before the time of need. When we satisfy the criteria for delivery of pre-need products or perform pre-need services, we are permitted to withdraw the related principal and any income and capital gains that we have not already withdrawn from the merchandise trust, and we recognize the amounts withdrawn, including amounts previously withdrawn, as revenues. Advance purchasing helps us avoid the negative cash flow impact of depositing significant portions of our sales proceeds in trusts while earning rates on those trusts that are currently less than interest rates we pay on our debt. To the extent that we can purchase and deliver products and perform services in advance of the time of need, we can accelerate,

within the limitations of GAAP, the timing of our revenue recognition for these products and services. As a result, decisions made by our management to purchase and deliver products or perform services in advance, for cash flow or other reasons, affects the timing of revenue recognition from the underlying sales.

We are somewhat limited, however, in our ability to purchase some products in advance of the time of need because of their availability. Given our large volume of pre-need sales, it is unlikely that our suppliers could provide, or we could manufacture, all of the products included in our pre-need backlog at any given time. For example, we generally need more vaults per year to fulfill our pre-need contract obligations, than we currently manufacture at our plant. We must purchase any excess from third party suppliers who must also meet the demands of other cemetery operators.

We currently purchase burial vaults from third-party providers to assist us in meeting the demands of our accelerated purchase and delivery program. We are also limited in our ability to perform certain services in advance of the time of need because of their nature or our resources. For example, we cannot perform the final opening and closing, which is the placing of the casket into the ground, or inscribe the date of death on the monument or marker until the time of need. Even if we chose to perform all of the services in our pre-need backlog that could be performed in advance of need, such as installing all of the burial vaults in our pre-need backlog, we would not currently have the labor, equipment or other resources to perform all of those services in a short period of time.

Trusting

We are required to deposit a portion of amounts received on sales of certain cemetery merchandise and services into a perpetual care and/or merchandise trust. These amounts are invested by third-party investment managers who are selected by the Trust and Compliance Committee of the board of directors of our general partner. These investment managers are required to invest our trust funds in accordance with applicable state law and internal investment guidelines adopted by the Trust and Compliance Committee. Our investment managers are monitored by third-party investment advisors selected by the Trust and Compliance Committee who advise the committee on the determination of asset allocations, evaluate the investment managers and provide detailed monthly reports on the performance of each merchandise and perpetual care trust.

Perpetual Care Trust

Pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. While this amount varies, it is generally 10% to 20% of the sales price of the interment right. All principal must remain in this trust into perpetuity while interest and dividends may be released to us and used to defray cemetery maintenance costs, which are expensed as incurred. Earnings from the perpetual care trusts are recognized in current cemetery revenues. To maximize this income, we have established investment guidelines for the third-party investment managers that manage the trust so that substantially all of the funds are invested in intermediate-term investment-grade fixed-income securities, high-yield fixed-income securities, master limited partnerships and real estate investment trusts.

We fund these amounts pro-rata on an “as received” basis. As payments are received from the customer, we deposit a pro rata amount of the payment into a perpetual care trust. For example, if we receive a payment of 20% of the sales price from the customer, we would deposit into the perpetual care trust 20% of the total amount required to be placed into trust for that sale.

We consolidate the assets of the trust in accordance with the provisions of ASC 810, as the trust is considered to be a variable interest entity for which we are the primary beneficiary. Assets are reflected at fair market value on the asset portion of our balance sheet as an asset entitled “perpetual care trusts, restricted, at fair value,” and an equal amount is reflected as a liability as “perpetual care trust corpus.”

Merchandise Trust

We are generally required by state law to deposit a portion of the sales price of pre-need cemetery merchandise and services, or the estimated current cost of providing that merchandise and those services, into a merchandise trust to ensure that we will have sufficient funds in the future to purchase the merchandise or perform the services. The amount we are required to deposit into a merchandise trust varies from state to state but is generally 40% to 70% of the sales price of the merchandise or services.

We fund these amounts pro-rata on an “as received” basis. As payments are received from the customer, we deposit a pro rata amount of the payment into a merchandise trust. For example, if we receive a payment of 20% of the sales price from the customer, we would deposit into the merchandise trust 20% of the total amount required to be placed into trust for the merchandise and services sold.

We consolidate the assets of the trust in accordance with the provisions of ASC 810, as the trust is considered to be a variable interest entity for which we are the primary beneficiary. Assets are reflected at fair market value on the asset portion of our balance sheet as an asset entitled “merchandise trusts, restricted, at fair value”.

Unlike assets in the perpetual care trusts, assets in the merchandise trusts will be released to us at the time we meet the requirements. These requirements vary from state to state depending upon applicable laws.

Earnings on funds held in merchandise trusts, including investment income and capital gains, are deferred and included in our balance sheet in deferred cemetery revenues, net, until such time that we recognize the revenue from the related sale.

We are permitted to withdraw the investment income, such as interest and dividends, as well as capital gains, from merchandise trusts at varying times depending on the applicable state law. In some states, we are permitted to make monthly withdrawals of investment income, but in other states we are permitted to withdraw income less frequently or only upon death. In all states, however, we are permitted to withdraw trust principal and earnings to purchase the merchandise or perform the services or, generally, when the customer cancels the contract. Some states impose additional restrictions on our ability to withdraw merchandise trust earnings if those trusts have realized losses. For example, if a Pennsylvania merchandise trust realizes a loss, the trust is required to recover the amount of the realized loss, either by earning income or generating capital gains, before we are allowed to withdraw earnings, except to purchase the related products or perform the related services. Other states, such as Virginia, permit continued withdrawals of merchandise trust earnings following a realized loss so long as the fair market value of the funds held in trust equals or exceeds the cost of the related products and services.

We invest the amounts deposited into merchandise trusts, within specified investment guidelines, primarily in intermediate-term, investment-grade fixed-income securities, high-yield fixed-income securities, real estate investment trusts and, to a lesser extent, equity securities and cash.

The income earned on funds held in perpetual care trusts and merchandise trusts can be materially affected by fluctuations in interest rates, dividend payments, and in the case of merchandise trusts, by the performance of the stock market. Investment income from trusts accounted for 10.8%, 11.1% and 14.2% of our 2009, 2008 and 2007 total revenues respectively. During 2009, 2008 and 2007 our average annual rates of return (not including changes in unrealized gains and losses) on funds held in merchandise trusts were 7.2%, 6.1% and 12.0%, respectively, while our average annual rates of return on funds held in perpetual care trusts were 8.3%, 8.1% and 6.8%, respectively. Past performance is not indicative of future performance.

Unrealized gains and losses in merchandise trusts are deferred and accordingly have no immediate impact on our revenues, earnings or cash flow unless the fair market value of the funds declines below the estimated costs to deliver the related products and services, in which case we would be required to record a current charge to earnings equal to the difference between the fair market value of the funds and the estimated costs.

We determine whether or not the assets in the merchandise and perpetual care trust have an other-than-temporary impairment on a security-by-security basis. This assessment is made based upon a number of criteria including the length of time a security has been in a loss position, changes in market conditions, concerns related to the specific issuer and our ability and intent to hold securities until they recover their value. If a loss is considered to be other-than-temporary, the cost basis of the security is adjusted downward to its market value.

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

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

The trust footnotes (notes 5 and 6 of our consolidated financial statements included in Item 8) disclose the adjusted cost basis of the assets in the trust and contain a more detailed discussion of other-than-temporarily impaired assets.

Current Market Conditions and Economic Developments

Beginning in the fourth quarter of 2008, we began discussing the significant instability in various financial markets and in economic conditions. Amongst other things, we noted that there had been a decline in the fair value of equity and (to a lesser degree) fixed-maturity debt securities and that there was a contraction in the credit market as well as an overall downturn in economic activity.

We have seen substantial improvement in certain areas since that time. The ratio of the fair value to the amortized cost of our merchandise trust assets has improved to 88.5% at December 31, 2009 as compared to 70.4% at December 31, 2008. We were able to raise capital via both a private offering of senior debt and a follow on public offering of our common units, representing a limited partnership interest in us. The value of pre-need and at-need contracts written has not deteriorated and totals for the year ended December 31, 2009 generally outpace totals from 2008.

We will continue to monitor evolving economic conditions and plan accordingly.

Decline in Market Value of Trust Assets

We have a substantial portfolio of invested assets in both our merchandise trust and the perpetual care trust. Both trusts have a mix of cash and cash equivalents, fixed maturity debt securities and equity securities. A critical issue for us had been the decline in the fair value of equity and (to a lesser degree) fixed maturity debt securities held in our trusts. This decline took place primarily during the last six months of 2008. As of December 31, 2009, the fair value of our fixed maturity debt securities had recovered to the point where such value exceeds the cost of these assets in both our merchandise and perpetual care trusts. While the fair value of equity securities in these trusts continues to be less than their cost, the amount of this impairment has declined substantially during 2009.

Funds in our trusts are managed by third-party investment managers who are in turn monitored by a third-party investment advisor selected by our Trust and Compliance Committee. The third-party investment advisor is providing the committee with frequent updates on the performance of the investments. We will continue to monitor performance closely. See “Item 3. Quantitative and Qualitative Disclosure About Market Risk” for more information.

The perpetual care trust and merchandise trust serve vastly different purposes and the risks and implications of changes in trust asset values are dissimilar.

Perpetual Care Trust

Pursuant to state law, a portion of the proceeds from the sale of cemetery property must be deposited into a perpetual care trust.

The perpetual care trust principal does not belong to us and must remain in the trust into perpetuity. We consolidate the trust into our financial statements in accordance with ASC 810-10-15-(13 through 22) because the trust is considered a variable interest entity for which we are the primary beneficiary.

The fair value of trust assets is recorded as an asset on our balance sheet and is entirely offset by a liability. This liability is recorded as “Perpetual care trust corpus”. Changes in fair value of trust assets are recognized by adjusting both the trust asset and the offsetting liability. Impairment of the value of trust assets, whether temporary or other-than-temporary, will not impact periodic earnings or comprehensive income nor will it impact our financial position or liquidity at any point in time.

Our primary risk related to the assets in the perpetual care trust relate to the interest and dividends paid and released to us and used to defray cemetery maintenance costs. Any material reduction in this income stream could have a material effect on our financial condition, results of operations and liquidity. Interest income earned on perpetual care trust assets was approximately $12.6 million, $13.7 million and $12.8 million during the year ended December 31, 2009, 2008 and 2007 respectively.

Merchandise Trust

Pursuant to state law, a portion of the proceeds from the sale of pre-need cemetery and funeral home merchandise and services must be deposited into a merchandise trust.

Unlike the perpetual care trust, the principal in the merchandise trust will ultimately revert to us. This will occur once we have met the various requirements for its release which is generally the delivery of merchandise or performance of underlying services. Accordingly, changes in the fair value of trust assets, both temporary and other-than-temporary, may ultimately impact our periodic earnings, comprehensive income and financial position or liquidity at any point in time.

Managing the cash flow associated with the release of trust assets and investment income is a critical component of our overall corporate strategy. Our investment strategy reflects the fact that the release of trust assets and the resultant cash flow is critical to our ability to meet our profitability goals and liquidity needs. Accordingly, we set such strategy to balance the potential for return with the need to maintain asset value.

A decline in the market value of the assets in the merchandise trust could ultimately impair our profitability and resulting financial position and liquidity should we be forced to liquidate such assets at an amount significantly below our original expectation, which is ultimately asset cost.

We mitigate this risk by ensuring that a sufficient portion of trust assets is invested in cash and cash equivalents that do not have significant risk to principal. We can then manage trust assets so that released amounts are liquidated from this pool as opposed to any pool of assets that are currently valued below cost.

At December 31, 2009, the merchandise trust had approximately $47.5 million in cash and cash equivalents. This amount functions to mitigate the risk of liquidating impaired assets. In evaluating the sufficiency of this amount as to its effectiveness in mitigating the risk of liquidating impaired assets, we have considered the net inflows and outflows of cash into the trust in recent prior periods. These net inflows and outflows are a function of both sales originations and the corresponding trust deposits and meeting the criteria for releasing funds. Total net cash inflows into the merchandise trust for the year ended December 31, 2009 were approximately $6.1 million.

Absent a substantial downturn in pre-need sales, we believe that the cash and cash equivalent allocation of merchandise trust assets is sufficient to mitigate the risk of liquidating impaired assets in the near future.

Impact of Current Market Conditions on Our Ability to Meet Our Debt Covenants

Current market conditions have not negatively impacted our ability to meet our significant debt covenants. These covenants specifically relate to a certain measure of profitability (the "Profitability Measure") and certain coverage and leverage ratios as defined in the Credit Agreement described below.

The Profitability Measure is primarily related to the current period value of contracts written and their associated expense. We have not seen any material decline in the value of contracts written due to current economic conditions. Additionally, associated expenses have remained relatively stable.

The coverage ratio relates to the excess of the Profitability Measure less distributions made to partners over fixed charges. This ratio has not been negatively impacted in so much that the Profitability Measure has not eroded while distributions paid to partners and fixed charges have remained relatively stable.

The leverage ratio relates to the ratio of consolidated debt to the Profitability Measure. Once again, the Profitability Measure has not eroded which in turn has caused this ratio to stay within an acceptable range.

Net Income, Operating Cash Flows and Partner Distributions

The table below details net income, operating cash flows and partner distributions made in 2007, 2008 and 2009 respectively:

	Year ended December 31,		
	2009	2008	2007
		(in thousands)	
Net income (loss)	$ (1,077)	$ 4,556	$ 2,786
Operating cash flows	13,498	21,144	18,973
Partner distributions	27,253	25,658	18,724

Cash flows from operations for the years ended December 31, 2009, 2008 and 2007 ($13.5 million, $21.1 million and $19.0 million, respectively) significantly outpaced our net income (loss) (($1.1 million), $4.6 million and $2.8 million, respectively) during the same periods. This is in large part attributable to the fact that various cash inflows for payments of amounts due under pre-need sales contracts were not and are not as of yet recognized as revenues as we had not and have not met the delivery criteria for revenue recognition. Although there is no assurance, we expect that the trend of operating cash flows outpacing net income will continue into the foreseeable future.

Segment Reporting and Related Information

We disaggregate our operations into five distinct reportable segments which are classified as Cemetery Operations—Southeast, Cemetery Operations—Northeast, Cemetery Operations—West, Funeral Homes, and Corporate.

We chose this level of organization and disaggregation of reportable segments due to the fact that a) each reportable segment has unique characteristics that set it apart from each other; b) we have organized our management personnel at these operational levels; and c) this is the level at which our chief decision makers and other senior management evaluate performance.

The Cemetery Operations segments sell interment rights, caskets, burial vaults, cremation niches, markers and other cemetery related merchandise. The nature of our customers differs in each of our regionally based cemetery operating segments. Cremation rates in the West region are substantially higher than they are in the Southeast region . Rates in the Northeast region tend to be somewhere between the two. Statistics indicate that customers who select cremation services have certain attributes that differ from customers who select other

methods of interment. The disaggregation of cemetery operations into the three distinct regional segments is primarily due to these differences in customer attributes along with the previously mentioned management structure and senior management analysis methodologies.

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

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

Consolidation

Our historical operations are part of a consolidated group for financial reporting purposes that include the cemeteries we operate under long-term operating agreements. We currently operate 16 cemeteries under these long-term operating agreements. Intercompany balances and transactions have been eliminated in consolidation.

Income Taxes

Our historical financial statements include the effects of applicable U.S. federal and state income taxes in order to comply with GAAP. We are a limited partnership that has elected to be treated as a partnership for U.S. federal income tax purposes and therefore not be subject to U.S. federal or applicable state income taxes. See “Material Tax Considerations” included in our Registration Statement on Form S-3 (Registration No. 333-144453) filed with the SEC. In order to be treated as a partnership for federal income tax purposes, at least 90% of our gross income must be qualifying income, which includes income from the sale of real property, including burial lots (with and without installed vaults), lawn and mausoleum crypts and cremation niches. Most of our activities that do not generate qualifying income, such as the sale of other cemetery products, the provision of perpetual care services, the operation of our managed cemeteries and all funeral home operations, will be owned by and conducted through corporate subsidiaries, which will be subject to tax on their net taxable income. Dividends we receive from corporate subsidiaries will be qualifying income.

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.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our historical consolidated financial statements. 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

We sell our merchandise and services on both a pre-need and at-need basis. All at-need sales are recognized as revenues and recorded in earnings at the time that merchandise is delivered and 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, at which time they are fully earned.

Revenues from pre-need sales of cemetery interment rights in unconstructed burial property, such as mausoleum crypts and lawn crypts are recognized using the percentage-of-completion method of accounting, with no revenue being recognized until at least 10% of the sales price has been received. The percentage-of-completion method of accounting requires us to make certain estimates as of our reporting dates. These estimates are made based upon information available at the reporting date and are updated on a specific identification method at the end of each reporting period. Periodic earnings are calculated based upon the total sales price, estimated costs to complete and the percentage completed during a given reporting period.

Revenues from pre-need sales of cemetery merchandise and services are deferred until the merchandise is delivered or the services are performed, at which time they are fully earned.

Investment earnings, including realized gains and losses, generated by assets in our merchandise trusts are deferred until the associated merchandise is delivered or the services are performed.

In order to appropriately match revenue and expenses, we defer certain pre-need cemetery and prearranged funeral direct obtaining costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral business until such time that the associated revenue is recognized.

Accounts Receivable Allowance for Cancellations

At the time of a pre-need sale, we record an account receivable in an amount equal to the total contract value less any cash deposit paid net of an estimated allowance for cancellations.

The allowance for cancellations is established based upon our estimate of expected cancellations and historical experiences and is currently approximately 10% of total contract values. Future cancellation rates may differ from this current estimate. We will continue to evaluate cancellation rates and will make changes to the estimate should the need arise. Actual cancellations did not vary significantly from the estimates of expected cancellations at December 31, 2009 and December 31, 2008, respectively.

Merchandise Trust Assets

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

We evaluate whether or not the assets in the merchandise trust have an other-than-temporary impairment on a security-by-security basis. This assessment is made based upon a number of criteria including the length of time a security has been in a loss position, changes in market conditions, concerns related to the specific issuer and our ability and intent to hold the security until it regains its value. If a loss is considered to be other-than-temporary, the cost basis of the security is adjusted downward to its market value. Any reduction in the cost basis of assets held in our merchandise trust due to an other-than-temporary impairment is offset against deferred revenue. Refer to Notes 5 and 6 of our financial statements included in this Annual Report on Form 10-K for a more detailed discussion of other-than-temporarily impaired assets.

Perpetual Care Trust Assets

Pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. All principal must remain in this trust into perpetuity while interest and dividends may be released and used to defray cemetery maintenance costs, which are expensed as incurred.

Assets in our perpetual care trusts are carried at fair value. Any change in unrealized gains and losses are reflected in the carrying value of the assets and is offset against perpetual care trust corpus.

We evaluate whether or not the assets in our perpetual care trust have an other-than-temporary impairment on a security-by-security basis. This assessment is made based upon a number of criteria including the length of time a security has been in a loss position, changes in market conditions, concerns related to the specific issuer and our ability and intent to hold the security until it recovers its value. If a loss is considered to be other-than-temporary, the cost basis of the security is adjusted downward to its market value.

Any reduction in the cost basis of assets held in our perpetual care trusts due to an other-than-temporary impairment is offset against perpetual care trust corpus. There is no impact on earnings. Refer to Notes 5 and 6 of our financial statements included in this Annual Report on Form 10-K for a more detailed discussion of other-than-temporarily impaired assets.

Impairment of Long-Lived Assets

We monitor the recoverability of long-lived assets, including cemetery property, property and equipment and other assets, based on estimates using factors such as current market value, future asset utilization, business and regulatory climate and future undiscounted cash flows expected to result from the use of the related assets. Our policy is to evaluate an asset for impairment when events or circumstances indicate that a long-lived asset’s carrying value may not be recovered. An impairment charge is recorded to write-down the asset to its fair value if the sum of future undiscounted cash flows is less than the carrying value of the asset.

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 depreciation is recorded over their estimated useful lives as follows:

Buildings and improvements	10 to 40 years
Furniture and equipment	5 to 10 years
Leasehold improvements	over the term of the lease

These estimates could be impacted in the future by changes in market conditions or other factors.

Income Taxes

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

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

In evaluating our ability to recover deferred tax assets, we consider all available positive and negative evidence, including our past operating results, recent cumulative losses and our forecast of future taxable income. In determining future taxable income, we make assumptions for the amount of taxable income, the reversal of

temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Any reduction in estimated future taxable income may require us to record an additional valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings.

As of December 31, 2009, our taxable corporate subsidiaries had a federal net operating loss carryover of approximately $90.7 million, which will begin to expire in 2019 and a state net operating loss carry-forward of approximately $140.7 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 of 1986, as amended.

Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162* . This statement modifies the GAAP hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB ASC, also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the SEC. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. The Codification is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. This statement applies to financial statements beginning in third quarter of 2009. Accordingly, all accounting references contained herein have been updated to reflect the Codification and all SFAS references have been replaced with ASC references. In those cases when previous GAAP references related to specific paragraphs, we have referred specifically to that paragraph in the ASC. Broader references have been referred to the most detailed level (topic, subtopic or section) applicable.

In June 2009, the FASB adopted ASC Topic 810, Subtopic 10, Sections 30 and 65 ("ASC 810-10-30/65"), the purpose of which is to amend certain requirements of ASC Topic 810, Subtopic 10, Section 5, to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. Amongst other things, ASC 810-10-30/65 requires a change in the determination of which entity's qualify as variable interest entities ("VIE's"), changes in an entity that is involved in VIE's method of determining whether they are the primary beneficiary of such VIE, and changes to disclosures required by all entities involved with VIE. ASC 810-10-30/65 is effective for each reporting period beginning after November 15, 2009. Early adoption is prohibited. We have reviewed the requirements of ASC 810-10-30/65 and determined that there will be no changes to our current determination of those entities with which we are involved as to their status of being VIE's nor to our determination of our status with regards to our position as the primary beneficiary of such VIE's. We have also determined that we will be required to modify our disclosures with regards to those VIE's with which we are involved and will adopt such disclosure changes beginning in the first quarter of 2010.

In April of 2009, the FASB issued ASC 320-10-65-1, which relates to investments in both debt and equity securities. ASC 320-10-65-1 amended previous guidance related to the determination of whether impairments in debt securities were other-than-temporary, and provides guidance as to which other-than-temporary impairments should be reflected in the income statement and which other-than-temporary impairments should be reflected in other comprehensive income. ASC 320-10-65-1 also modifies the presentation and disclosures related to both debt and equity securities. ASC 320-10-65-1 is effective for interim periods ending after June 15, 2009, and we adopted it for the second quarter of 2009. ASC 320-10-65-1 did not have a significant impact on our financial position or results of operations.

In April of 2009, the FASB issued ASC 825-10-65-1, which relates to financial instruments. ASC 825-10-65-1amends ASC 825-10-50-10 to require disclosures about fair value of financial instruments in interim

financial statements as well as in annual financial statements. ASC 825-10-65-1 is effective for interim periods ending after June 15, 2009 and we adopted it for second quarter of 2009. ASC 825-10-65-1 did not have a significant impact on our financial statements.

In April of 2009, the FASB issued ASC 820-10-65-4, which relates to fair value measurements and disclosures. ASC 820-10-65-4 provides additional guidance in estimating fair value under ASC 820-10-5-1 when the volume and level of transaction activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. ASC 820-10-65-4 also provides additional guidance on circumstances that may indicate a transaction is not orderly. ASC 820-10-65-4 is effective for interim periods ending after June 15, 2009, and we adopted it for the second quarter of 2009. ASC 820-10-65-4 did not have a significant impact on our financial position or results of operations.

In December 2007, the FASB issued ASC 805, which relates to the accounting for business combinations. ASC 805 requires that acquirers in a business combination identify and record at fair value all of the assets and liabilities acquired as well as any non-controlling interest resulting from such business combination. Goodwill will be recognized when the fair value of consideration paid or transferred to the acquiree plus the fair value of any non-controlling interest exceeds the fair value of identified assets acquired less the fair value of liabilities assumed. A gain from a bargain purchase will be recognized when the fair value of consideration paid or transferred to the acquiree plus the fair value of any non-controlling interest is less than the fair value of identified assets acquired less the fair value of liabilities assumed. Gains from bargain purchases will be recognized in earnings in the period in which the acquisition occurs. ASC 805 also requires that costs incurred in a business transaction be recorded as an expense as opposed to part of the cost of the acquisition. ASC 805 provides the Company with three options with regards to accumulated costs incurred and currently capitalized for acquisitions that had not as of yet been finalized prior to the adoption of ASC 805:

- Immediately expense such costs;
- Continue to carry such costs as an asset and immediately expense such costs upon the adoption of ASC 805; or
- Account for the change as a change in accounting principle and restate prior year financial statements to reflect these costs as expenses in the period in which they occurred.

We adopted ASC 805 on January 1, 2009. At December 31, 2008, there was approximately $1.4 million in accumulated acquisition costs that had been capitalized and were included in “Other current assets” on our balance sheet. These costs were expensed in the first quarter of 2009 and are included on our income statement as part of “Acquisition related costs”.

In December 2007, the FASB issued ASC 810-10-65-1 which provides guidance for the accounting and reporting of non-controlling interests. ASC 810-10-65-1 states that accounting and reporting for minority interests will be recharacterized as non-controlling interests and classified as a component of equity. ASC 810-10-65-1applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. We adopted this guidance effective January 1, 2009. This adoption caused us to reclassify amounts previously shown as “Non-controlling interests in perpetual care trusts” to “Perpetual care trust corpus” and to include this amount in total liabilities rather than as a “Commitment and contingency” The adoption of this standard had no effect on our partners capital, results of operations or liquidity.

In February 2008, the FASB issued ASC 260-10-5, which relates to earnings per share. Amongst other guidance, ASC 260-10-5 addresses earnings per share for master limited partnerships and states that a master limited partnership that contains incentive distribution rights (“IDR’s”) should classify said IDR’s as a separate class of units for which a separate earnings per unit calculation should be made. We adopted ASC 260-10-5 in the first quarter of 2009. The adoption of ASC 260-10-5 had no impact on the calculation of earnings per share as allocated to common unit holders.

In December 2008, the FASB issued ASC 810-10-50, which relates to disclosure requirements for consolidations. Amongst other things, ASC 810-10-50 requires public enterprises, including sponsors that have a variable interest in a variable interest entity, to provide additional disclosures about their involvement with variable interest entities. We adopted this guidance effective December 31, 2008. This adoption had no effect on our financial position, results of operations or liquidity.

In December 2008, the FASB issued ASC 820-10-35, which relates to the subsequent measurement of financial instruments. Amongst other things ASC 820-10-35 provides clarification for measuring fair value in a market that is not active. ASC 820-10-35 was effective upon issuance, including prior periods for which financial statements had not been issued. Our adoption of ASC 820-10-35 for the year ended December 31, 2008 had no effect on our financial position, results of operations or liquidity.

Results of Operations—Segments

Year Ended December 31, 2009 versus Year Ended December 31, 2008

Cemetery Segments

Our cemetery operations are disaggregated into three different geographically based segments. We have chosen this level of disaggregation due to the fact that a) each reportable segment has unique characteristics that set it apart from each other; b) we have organized our management personnel at these operational levels; and c) this is the level at which our chief decision makers and other senior management evaluate performance.

We account for and analyze the results of operations for each of these segments on a basis of accounting that is different from generally accepted accounting principals in so much that we record revenues and related expenses based upon the value of contracts written rather than upon the delivery of merchandise and services. We reconcile these non-GAAP accounting results of operations to GAAP based amounts at the consolidated level. This reconciliation is included in Note 14 to the financial statements included in this Annual Report on Form 10-K.

The method of accounting we utilize to analyze our segment results of operation provides for a production based view of our business. We believe that this allows for a critical understanding of any economic value added during a given period of time.

Cemetery Operations—Southeast

The table below compares the results of operations for our Cemetery Operations—Southeast for the year ended December 31, 2009 as compared to the year ended December 31, 2008:

	Year ended December 31,			
	2009	2008	Change ($)	Change (%)
	(In thousands)			
Total revenues	$99,732	$88,638	$ 11,094	12.5%
Total costs and expenses	69,232	64,018	5,214	8.1%
Operating earnings	30,500	24,620	5,880	23.9%
Interest expense	6,515	5,163	1,352	26.2%
Earnings (losses) before taxes	$23,985	$19,457	$ 4,528	23.3%

Revenues

Revenues for Cemetery Operations—Southeast were $99.7 million for the year ended December 31, 2009, an increase of $11.1 million, or 12.5%, compared to $88.6 million during 2008.

The increase was primarily due to an increase in the value of pre-need contracts written ($7.4 million), the value of at-need contracts written ($1.9 million) and investment income from our merchandise trusts ($1.1 million). Other increases were less material.

Total costs and expenses

Total costs and expenses for Cemetery Operations—Southeast were $69.2 million for the year ended December 31, 2009, an increase of $5.2 million, or 8.1%, compared to $64.0 million during 2008.

The increase was primarily related to:

- A $1.4 million increase in cost of goods sold. This was directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of cost of goods sold to the total value of contracts written actually declined by 30 basis points to 17.9% during the year ended December 31, 2009 compared to 18.2% during 2008.
- A $2.1 million increase in selling expenses. This was also directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of selling expenses to the total value of contracts written declined by 40 basis points to 25.9% during the year ended December 31, 2009 compared to 26.3% during 2008.
- A $0.8 million increase in cemetery expenses. The increase was due to a corresponding increase in labor costs ($0.9 million). Other cemetery expenses declined by $0.1 million.
- A $1.0 million increase in general and administrative expenses. This was primarily due to a $0.8 million increase in labor costs and a $0.2 million increase in insurance expense.

Interest Expense

Interest expense for Cemetery Operations – Southeast was $6.5 million for the year ended December 31, 2009, an increase of $1.4 million, or 26.2%, compared to $5.1 million during the same period last year. This was primarily due to an overall increase in corporate wide interest expense which in turn was primarily due to an increase in total debt outstanding.

Cemetery Operations—Northeast

The table below compares the results of operations for our Cemetery Operations—Northeast for the year ended December 31, 2009 as compared to the year ended December 31, 2008:

	Year ended December 31,			
	2009	2008	Change ($)	Change (%)
	(In thousands) (non-GAAP)			
Total revenues	$54,193	$54,190	$ 3	0.0%
Total costs and expenses	37,611	39,281	(1,670)	-4.3%
Operating earnings	16,582	14,909	1,673	11.2%
Interest expense	2,649	2,657	(8)	-0.3%
Earnings (losses) before taxes	$13,933	$12,252	$ 1,681	13.7%

Revenues

Revenues for Cemetery Operations – Northeast were $54.2 million for both the year ended December 31, 2009 and 2008. A $1.3 million increase in the value of pre-need contracts written was offset by a $0.6 million decrease in the value of at-need contracts written and a $0.7 million decrease in investment income from trusts.

Total costs and expenses

Total costs and expenses for Cemetery Operations—Northeast were $37.6 million for the year ended December 31, 2009, a decrease of $1.7 million, or 4.3%, compared to $39.3 million during 2008.

The decrease was primarily related to:

- A $0.8 million decrease in cost of goods sold. The ratio of cost of goods sold to the total value of contracts written declined by 220 basis points to 16.2% during the year ended December 31, 2009 as compared to 18.4% during 2008.
- A $0.7 million decrease in cemetery expenses. This consisted of a $0.5 million decrease in personnel costs and a $0.2 million decrease in fuel costs.

Interest Expense

Interest expense for Cemetery Operations—Northeast was $2.6 million for both the year ended December 31, 2009 and 2008. An increase in corporate wide interest expense was not allocable to the Northeast segment.

Cemetery Operations—West

The table below compares the results of operations for our Cemetery Operations—West for the year ended December 31, 2009 as compared to the year ended December 31, 2008:

	Year ended December 31,			
	2009	2008	Change ($)	Change (%)
		(In thousands) (non-GAAP)		
Total revenues	$39,956	$42,371	$ (2,415)	-5.7%
Total costs and expenses	27,423	28,210	(787)	-2.8%
Operating earnings	12,533	14,161	(1,628)	-11.5%
Interest expense	3,082	2,696	386	14.3%
Earnings (losses) before taxes	$ 9,451	$11,465	$ (2,014)	-17.6%

Revenues

Revenues for Cemetery Operations—West were $40.0 million for the year ended December 31, 2009, a decrease of $2.4 million, or 5.7%, compared to $42.4 million during 2008. The decrease was primarily related to a $1.2 million decrease in both investment income from trusts and in the value of at-need contracts written.

Total costs and expenses

Total costs and expenses for Cemetery Operations—West were $27.4 million for the year ended December 31, 2009, a decrease of $0.8 million, or 2.8%, compared to $28.2 million during 2008.

The decrease was primarily related to:

- A $0.2 million decrease in cost of goods sold. The ratio of cost of goods sold to the total value of contracts written declined by 10 basis points to 13.4% during the year ended December 31, 2009 as compared to 13.5% during 2008.
- A $0.4 million decrease in cemetery expenses. This consisted of a $0.4 million decrease in real estate taxes and a $0.1 million decrease in utilities, maintenance and gas and oil offset by a $0.3 million increase in personnel costs.

Interest Expense

Interest expense for Cemetery Operations—West was $3.1 million for the year ended December 31, 2009, a $0.4 million increase, or 14.3%, compared to $2.7 million during 2008. This was due to the overall corporate wide increase in interest expense, which in turn was due to an increase in average debt outstanding.

Funeral Homes Segment

Unlike our cemetery operations segment, there is no substantial lag between the sale and delivery of funeral home product and services. Accordingly, the production based view and resulting numbers that management utilizes to analyze our funeral home business does not differ from GAAP accounting for this segment.

The table below compares the results of operations for our Funeral Home segment for the year ended December 31, 2009 as compared to the year ended December 31, 2008:

	Year ended December 31,			
	2009	2008	Change ($)	Change (%)
	(In thousands) (non-GAAP)			
Total revenues	$23,366	$23,963	$ (627)	-2.6%
Depreciation and amortization	1,101	849	252	29.7%
Total costs and expenses	19,004	19,066	(62)	-0.3%
Operating earnings	3,231	4,048	(817)	-20.2%
Interest expense (a)	2,123	2,198	(75)	-3.4%
Earnings (losses) before taxes	$ 1,108	$ 1,850	$ (742)	-40.1%

(a) Included in interest income on the income statement.

Revenues

Revenues for the Funeral Home segment were $23.4 million for the year ended December 31, 2009, a decrease of $0.6 million, or 2.5%, compared to $24.0 million during 2008.

The decrease was primarily attributable to a decrease in at-need revenues ($1.2 million) offset by increase in pre-need revenues ($0.4 million) and other revenues ($0.2 million).

Depreciation and amortization

Depreciation and amortization for the Funeral Home segment was $1.1 million for the year ended December 31, 2009, an increase of $0.3 million, or 29.7%, compared to $0.8 million during 2008. The increase was primarily related to an increase in depreciable assets.

Total costs and expenses

Total costs and expenses for the Funeral Home segment were $19.0 million for the year ended December 31, 2009, a decrease of $0.1 million, or 0.4%, compared to $19.1 million during 2008.

There was stability across all expense categories. The largest increase was $0.2 million in wages and benefits. The largest decrease was $0.1 million in fixed facility costs.

Interest Expense

Interest expense for the Funeral Home segment was $2.1 million for the year ended December 31, 2009, a decrease of $0.1 million, or 3.4%, compared to $2.2 million during 2008. The slight decrease in the allocation of interest expense to the funeral home operations was primarily due to the slight decrease in funeral home revenues and the funeral home divested in 2009.

Corporate Segment

Amounts allocated to the Corporate segment include each of the following:

- Miscellaneous selling, cemetery and general administrative expenses that are not allocable to other operating segments.
- Various home office and other expenses. These expenses equal the total corporate expenses as shown on the face of the income statement.
- Certain depreciation and amortization expenses.
- Gains and losses and purchases and sales of cemetery and funeral home properties.
- Gains and losses from changes in the fair value of derivatives.
- Certain costs related to refinancing.
- Acquisition related costs.

The table below details expenses incurred by the Corporate segment for the year ended December 31, 2009 and December 31, 2008:

	Year ended December 31,			
	2009	2008	Change ($)	Change (%)
	(In thousands)			
Selling, cemetery and general and administrative expenses	$ 876	$ 1,390	$ (514)	-37.0%
Depreciation and amortization	2,608	1,370	1,238	90.4%
Acquisition related costs	2,292	—	2,292	n/a
Corporate expenses				
Corporate personnel expenses	10,382	10,031	351	3.5%
Other corporate expenses (a)	11,988	11,256	732	6.5%
Total corporate expenses	22,370	21,287	1,083	5.1%
Operating loss	$28,146	$24,047	4,099	17.0%
Gain on sale of funeral home	434	—	434	n/a
Gain on acquisitions	4,435	—	4,435	n/a
Decrease in the value of interest rate swaps	(2,681)	—	(2,681)	n/a
Expenses related to refinancing	2,242	—	2,242	n/a
Interest expense	39	—	39	n/a
Losses before taxes	$28,240	$24,047	$ 4,193	17.4%

Selling, cemetery and general administrative expenses that were allocated to the corporate segment were $0.9 million during the year ended December 31, 2009, a decrease of $0.5 million, or 37.0%, compared to $1.4 million for the year ended December 31, 2008. The decrease was primarily caused by a decrease in salesperson's bonuses and other personnel expenses allocated to the corporate segment ($0.3 million) and sales training ($0.1 million)

Depreciation and amortization allocated to the corporate segment was $2.6 million during the year ended December 31, 2009, an increase of $1.3 million, or 90.4%, compared to $1.4 million for the year ended December 31, 2007. The increase was primarily caused by an increased in the amortization of deferred financing fees.

On January 1, 2009, we adopted ASC 805. Amongst other things, ASC 805 requires that costs incurred in acquisition related activities be expensed as incurred. Acquisition related costs include legal fees and other third party costs incurred in acquisition related activities. These costs totaled approximately $2.3 million in 2009 of which approximately $1.4 million that had been capitalized as of December 31, 2008 and expensed in 2009.

Total corporate expenses were $22.4 million during the year ended December 31, 2009, an increase of $0.7 million, or 5.1%, compared to $21.3 million during the year ended December 31, 2008. The increase was equally distributed between personnel related expenses ($0.4 million) and non-personnel expenses ($0.3 million). The increase in personnel related expenses was primarily attributable to an increase in employee benefits ($0.4 million). The increase in non-personnel related expenses was primarily attributable to an increase in professional fees ($1.1 million) offset by a decrease in unit-based compensation ($0.7 million).

The 2009 gain on the sale of the funeral home relates to the second quarter disposition of a funeral home. Proceeds from this disposition were approximately $0.5 million.

The 2009 gain on the acquisition of cemetery properties discussed in Note 13 of the Financial Statements in this Annual Report on Form 10-K is allocated to our corporate segment. Refer to this note for a more detailed discussion of this gain.

The 2009 decrease in the value of our interest rate swaps as discussed in Note 7 of the Financial Statements in this Annual Report on Form 10-K is allocated to the corporate segment. Refer to this note for a more detailed discussion of this loss.

Expenses related to refinancing of $2.2 million during the year ended December 31, 2009 relate to the write-down of unamortized debt issuance costs made as a result of our November 2009 private debt offering and the use of some of these funds to pay down certain previous debt amounts.

Reconciliation of Segment Results of Operations to Consolidated Results of Operations

As discussed in the segment sections of this Management’s Discussion and Analysis of Financial Condition and Results of Operations, cemetery revenues and their associated costs as reported at the consolidated level are deferred until such time that we meet the delivery component for revenue recognition.

Accordingly, GAAP consolidated revenues reflect the amount of total merchandise and services which were delivered during the period. Period over period changes to revenues can be impacted by:

- Changes in the value of contracts written and other revenues generated during a period that are delivered in their period of origin and are recognized as revenue and not deferred as of the end of their period of origination.
- Changes in merchandise and services that are delivered during a period that had been originated during a prior period.

The table below analyzes results of operations and the changes therein for the year ended December 31, 2009 compared to the year ended December 31, 2008. The table is structured so that our readers can determine whether changes were based upon changes in the level of merchandise and services and other revenues generated during each period and/ or changes in the timing of when merchandise and services were delivered:

	Year ended December 31, 2009 (in thousands)			Year ended December 31, 2008 (in thousands)				
	Segment Results (non-GAAP)	Changes in Deferred Revenues and Expenses	GAAP Results	Segment Results (non-GAAP)	Changes in Deferred Revenues and Expenses	GAAP Results	Change in GAAP results ($)	Change in GAAP results (%)
Revenues								
Pre-need cemetery revenues	$ 99,771	$ (26,930)	$ 72,841	$ 91,050	$ (22,987)	$ 68,063	$ 4,778	7.0%
At-need cemetery revenues	63,970	(6,549)	57,421	63,874	(39)	63,835	(6,414)	-10.0%
Investment income from trusts	22,706	(3,180)	19,526	23,519	(3,237)	20,282	(756)	-3.7%
Interest income	5,834	—	5,834	5,384	—	5,384	450	8.4%
Funeral home revenues	23,365	—	23,365	23,963	—	23,963	(598)	-2.5%
Other cemetery revenues	1,613	601	2,215	1,376	545	1,921	294	15.3%
Total revenues	217,261	(36,059)	181,203	209,168	(25,718)	183,448	(2,245)	-1.2%
Costs and expenses								
Cost of goods sold	27,096	(5,249)	21,847	26,687	(3,805)	22,882	(1,035)	-4.5%
Cemetery expense	41,246	—	41,246	41,651	—	41,651	(405)	-1.0%
Selling expense	41,652	(7,529)	34,123	40,379	(5,573)	34,806	(683)	-2.0%
General and administrative expense	22,498	—	22,498	21,372	—	21,372	1,126	5.3%
Corporate overhead	22,370	—	22,370	21,293	—	21,293	1,077	5.1%
Depreciation and amortization	6,390	—	6,390	5,029	—	5,029	1,361	27.1%
Funeral home expense	19,004	—	19,004	19,065	—	19,065	(61)	-0.3%
Acquisition related costs	2,292	—	2,292	—	—	—	2,292	n/a
Total costs and expenses	182,548	(12,778)	160,772	175,476	(9,378)	166,095	3,677	2.2%
Operating profit	34,712	(23,281)	11,431	33,690	(16,340)	17,350	5,919	(34.1%)
Gain on sale of funeral home	434	—	434	—	—	—	434	n/a
Gain on acquisitions	4,435	—	4,435	—	—	—	4,435	n/a
Decrease in the value of interest rate swaps	(2,681)	—	(2,681)	—	—	—	(2,681)	n/a
Expenses related to refinancing	2,242	—	2,242	—	—	—	2,242	n/a
Interest expense	14,409	—	14,409	12,714	—	12,714	1,695	13.3%
Income (loss) before taxes	20,249	(23,281)	(3,031)	20,976	(16,340)	4,636	(7,667)	(165.4%)
State income taxes	808	—	808	304	—	304	504	n/a
Federal income taxes	(2,762)	—	(2,762)	(224)	—	(224)	(2,538)	n/a
Total income taxes	(1,954)	—	(1,954)	80	—	80	(2,034)	n/a
Net income (loss)	$ 22,203	$ (23,281)	$ (1,077)	$ 20,896	$ (16,340)	$ 4,556	$ (5,633)	n/a

Revenues

Pre-need cemetery revenues were $72.8 million for the year ended December 31, 2009, an increase of $4.8 million, or 7.0%, as compared to $68.0 million during 2008. There was a substantial increase in the value of contracts written ($8.7 million) which was offset by a lower increase in deferred revenue ($4.0 million). The overall increase was primarily caused by an increase in the delivery of pre-need markers ($2.5 million), vaults ($1.8 million), grave openings ($1.4 million) and installations and other ($1.4 million).

At-need cemetery revenues were $57.4 million for the year ended December 31, 2009, a decrease of $6.4 million, or 10.0%, as compared to $63.8 million during 2008. The value of contracts written increased slightly to $64.0 million from $63.9 million while deferred revenues increased by $6.5 million. The overall decrease was due to a decline in deliveries of markers ($3.4 million), bases ($1.4 million), openings and closings ($0.8 million), vaults ($0.4 million) and lots ($0.4 million).

Investment income from trusts was $19.5 million for the year ended December 31, 2009, a decrease of $0.8 million, or 3.7%, as compared to $20.3 million during 2008. The decrease was primarily related to a decline in variable interest rates and a late year repositioning of assets from fixed maturity debt securities to money market funds in anticipation of a further repositioning in the first quarter of 2010.

Interest income on accounts receivable was $5.8 million for the year ended December 31, 2009, an increase of $0.5 million, or 8.4%, as compared to $5.3 million during 2008. The change was related to the continuing increase in the value of pre-need contracts written.

Revenues for the Funeral Home segment were $23.4 million for the year ended December 31, 2009, a decrease of $0.6 million, or 2.5%, compared to $24.0 million during 2008. The decrease was primarily attributable to a decrease in at-need revenues ($1.2 million) offset by increase in pre-need revenues ($0.4 million) and other revenues ($0.2 million).

Other cemetery revenues include miscellaneous items that are not grouped with our other cemetery merchandise and services. Other cemetery revenues were $1.6 million for the year ended December 31, 2009, an increase of $0.2 million, or 15.3%, as compared to $1.4 million during 2008. The increase was primarily caused by a $0.2 million increase in asset sales revenue.

Costs and Expenses

Cost of goods sold were $21.8 million for the year ended December 31, 2009, a decrease of $1.0 million, or 4.5%, as compared to $22.9 million in 2008. The decrease was primarily due to the associated decrease in (combined) pre-need and at-need cemetery revenues. The ratio of cost of goods sold to pre-need and at-need cemetery revenues decreased to 16.8% for the year ended December 31, 2009 as compared to 17.3% during 2008.

Cemetery expenses were $41.2 million during the year ended December 31, 2009, a decrease of $0.4 million, or 1.0%, compared to $41.6 million during 2008. There was a $1.1 million decrease in non-labor costs offset by a $0.7 million increase in labor costs. The non-labor cost decreases primarily related to decreases in gas and oil ($0.5 million), real estate taxes ($0.4 million) and repairs and maintenance ($0.1 million) while the increase in labor costs was primarily due to an increase in employee benefits ($1.4 million) offset by a reduction in other labor costs ($0.7 million). Cemetery expenses relate to the current costs of managing and maintaining our cemetery properties. These costs are expensed as incurred and are not deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring cemetery expenses is as a ratio of segment level pre-need and at-need cemetery revenues. The ratio of cemetery expenses to segment level pre-need and at-need cemetery revenues was 25.2% during the year ended December 31, 2009 as compared to 26.9% during 2008.

Selling expenses were $34.1 million during the year ended December 31, 2009, a decrease of $0.7 million, or 2.0%, as compared to $34.8 million in 2008. The decrease was primarily caused by the associated decrease in (combined) pre-need and at-need cemetery revenues. The ratio of cost of selling expenses to pre-need and at-need cemetery revenues decreased to 26.1% for the year ended December 31, 2009 as compared to 26.4% during 2008.

General and administrative expenses were $22.5 million during the year ended December 31, 2009, an increase of $1.1 million, or 5.2%, as compared to $21.4 million during 2008. The increase was split between an increase in labor costs ($0.5 million) and non-labor costs ($0.6 million). The increase in labor costs was primarily attributable to an increase in employee benefits ($0.5 million). The increase in non-labor costs was primarily attributable to an increase in corporate insurance ($0.3 million) and a number of smaller changes. General and administrative expenses are expensed as incurred and are not deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring general and administrative expenses is as a ratio of segment level pre-need and at-need cemetery revenues. The ratio of general and administrative expenses to segment level pre-need and at-need cemetery revenues was 13.7% during the year ended December 31, 2009 as compared to 13.8% during 2008.

Total corporate overhead was $22.4 million during the year ended December 31, 2009, an increase of $1.1 million, or 5.1%, compared to $21.3 million during 2008. The increase was distributed between personnel related expenses ($0.4 million) and non-personnel expenses ($0.7 million). The increase in personnel related expenses was primarily attributable to an increase in employee benefits ($0.4 million). The increase in non- personnel related expenses was primarily attributable to an increase in professional fees ($1.1 million) offset by a decrease in unit-based compensation ($0.7 million).

Depreciation and amortization was $6.4 million during the year ended December 31, 2009, an increase of $1.4 million, or 27.1%, as compared to $5.0 million during the period last year. The increase was primarily due to an increase in the amortization of debt issuance costs.

Funeral Home expenses were $19.0 million for the year ended December 31, 2009, a decrease of $0.1 million, or 0.3%, compared to $19.1 million during 2008. There was stability across all expense categories. The largest increase was $0.2 million in wages and benefits. The largest decrease was $0.1 million in fixed facility costs.

On January 1, 2009, we adopted ASC 805. Amongst other things, ASC 805 requires that costs incurred in acquisition related activities be expensed as incurred. Acquisition related costs include legal fees and other third party costs incurred in acquisition related activities. These costs totaled approximately $2.3 million in 2009 of which approximately $1.4 million that had been capitalized as of December 31, 2008 and expensed in 2009.

We recorded a gain on the acquisition of cemetery properties (discussed in Note 13) of approximately $4.4 million during 2009.

We entered into two interest rate swaps during the fourth quarter of 2009. At December 31, 2009, these swaps had a fair value of ($2.7 million). We recorded this as a loss during 2009. The change in the value in interest rate swaps was due to a change in market expectations at December 31, 2009 as compared to the date that the swaps were originated. Upon maturation, the fair value of the swaps will be the exact same as the fair value of the swaps upon origination ($0.0 million). There will be no cumulative loss or gain on the fair value of the swaps. The loss recorded in 2009 will be offset by equal and opposite gains in future periods.

The $2.2 million in expenses incurred due to refinancing activities related to the write-down of deferred financing fees that were accorded due to our fourth quarter 2009 private debt offering for which certain of the funds were used to pay down prior existing debt.

Interest expense was $14.4 million during the year ended December 31, 2009, an increase of $1.7 million, or 13.3%, as compared to $12.7 million during 2008. The increase was primarily due to an overall increase in the average amount of debt outstanding.

Year Ended December 31, 2008 versus Year Ended December 31, 2007

Cemetery Operations—Southeast

The table below compares the results of operations for our Cemetery Operations—Southeast for the year ended December 31, 2008 as compared to the year ended December 31, 2007:

	Year ended December 31,			
	2008	2007	Change ($)	Change (%)
		(In thousands) (non-GAAP)		
Total revenues	$88,638	$74,479	$ 14,159	19.0%
Total costs and expenses	64,018	50,927	13,091	25.7%
Operating earnings	24,620	23,552	1,068	4.5%
Interest expense	5,163	4,480	683	15.2%
Earnings (losses) before taxes	$19,457	$19,072	$ 385	2.0%

Revenues

Revenues for Cemetery Operations—Southeast were $88.6 million for the year ended December 31, 2008, an increase of $14.1 million, or 19.0%, compared to $74.5 million during the year ended December 31, 2007.

The increase was primarily due to an increase in the value of pre-need contracts written ($8.5 million), the value of at-need contracts written ($7.5 million) and interest and other income ($0.7 million) offset by a decrease in investment income from the merchandise and perpetual care trusts ($2.5 million).

Total costs and expenses

Total costs and expenses for Cemetery Operations—Southeast were $64.0 million for the year ended December 31, 2008, an increase of $13.1 million, or 25.7%, compared to $50.9 million during the year ended December 31, 2007.

The increase was primarily related to:

- A $2.5 million increase in cost of goods sold. This was directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of cost of goods sold to the total value of pre-need and at-need contracts written declined by 60 basis points to 18.2% in 2008 as compared to 18.8% during 2007.
- A $3.8 million increase in selling expenses. This was also directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of selling expenses to the total value of pre-need and at-need contracts written declined by 70 basis points to 26.3% during 2008 as compared to 27.0% during 2007.
- A $4.2 million increase in cemetery expenses. The increase was due to a $2.3 million increase in labor costs and a $1.9 million increase in non-labor costs. Non-labor cost significant increases included maintenance ($0.7 million), utilities ($0.6 million), real estate taxes ($0.2 million) and routine repairs ($0.2 million).

- A $2.4 million increase in general and administrative expenses. The increase was due to a $0.9 million increase in labor costs and a $1.5 million increase in non-labor costs. Non-labor cost significant increases included insurance ($0.4 million), professional fees ($0.3 million) and supplies and travel ($0.1 million each).
- A $0.2 million increase in depreciation expense which was primarily caused by an increase in depreciable assets.

Interest Expense

Interest expense for Cemetery Operations—Southeast was $5.2 million for the year ended December 31, 2008, an increase of $0.7 million, or 15.2%, compared to $4.5 million during the year ended December 31, 2007. The increase was primarily due to the overall corporate wide increase in interest expense, which in turn was due to an increase in the average debt outstanding.

Cemetery Operations—Northeast

The table below compares the results of operations for our Cemetery Operations – Northeast for the year ended December 31, 2008 as compared to the year ended December 31, 2007:

	Year ended December 31,			
	2008	2007	Change ($)	Change (%)
		(In thousands) (non-GAAP)		
Total revenues	$54,190	$61,720	$ (7,530)	-12.2%
Total costs and expenses	39,281	39,240	41	0.1%
Operating earnings	14,909	22,480	(7,571)	-33.7%
Interest expense	2,657	3,555	(898)	-25.3%
Earnings (losses) before taxes	$12,252	$18,925	$ (6,673)	-35.3%

Revenues

Revenues for Cemetery Operations—Northeast were $54.2 million for the year ended December 31, 2008, a decrease of $7.5 million, or 12.2%, compared to $61.7 million during the year ended December 31, 2007.

The decrease was primarily due to a decrease in investment income from the merchandise and perpetual care trusts ($6.1 million) and asset sales ($1.3 million). The value of pre-need and at-need contracts written was relatively flat year over year.

Total costs and expenses

Total costs and expenses for Cemetery Operations—Northeast were $39.3 million for the year ended December 31, 2008, an increase of $0.1 million, or 0.1%, compared to $39.2 million during the year ended December 31, 2007.

As with total operating expenses, the different components of operating expenses did not significantly vary during the year ended December 31, 2008 as compared to the year ended December 31, 2007.

- Cost of goods sold increased by $0.2 million. The ratio of cost of goods sold to the total value of pre-need and at-need contracts written increased by 40 basis points to 18.4% in 2008 as compared to 18.0% during 2007.

- Selling expenses declined by $0.2 million. The ratio of selling expenses to the total value of pre-need and at-need contracts written declined by 30 basis points to 24.4% during 2008 as compared to 24.7% during 2007.
- Cemetery expenses declined by $0.1 million. Labor costs declined by $0.2 million while non-labor costs increased by $0.1 million.
- General and administrative expenses increased by $0.1 million. Labor costs were flat while non-labor costs increased by $0.1 million.

Interest Expense

Interest expense for Cemetery Operations—Northeast was $2.7 million for the year ended December 31, 2008, a decrease of $0.9 million, or 25.3%, compared to $3.6 million during the year ended December 31, 2007. Interest expense allocations are primarily made based upon certain revenue factors. Accordingly, while overall corporate wide interest expense increased, the allocation to the Northeast region decreased, causing overall interest in the region to decrease.

Cemetery Operations—West

The table below compares the results of operations for our Cemetery Operations—West for the year ended December 31, 2008 as compared to the year ended December 31, 2007:

	Year ended December 31,			
	2008	2007	Change ($)	Change (%)
	(In thousands) (non-GAAP)			
Total revenues	$42,371	$15,760	$ 26,611	168.9%
Total costs and expenses	28,210	9,951	18,259	183.5%
Operating earnings	14,161	5,809	8,352	143.8%
Interest expense	2,696	425	2,271	534.4%
Earnings (losses) before taxes	$11,465	$ 5,384	$ 6,081	112.9%

Our Cemetery Operations—West grew significantly during the year ended December 31, 2008 as compared to the year ended December 31, 2007 primarily due to the December 2007 acquisition of 45 cemeteries from Service Corp International.

Revenues

Revenues for Cemetery Operations—West were $42.4 million for the year ended December 31, 2008, an increase of $26.6 million, or 168.9%, compared to $15.8 million during the year ended December 31, 2007.

The increase was across the board, with increases in the value of pre-need and at-need cemetery contracts written ($23.3 million), investment income from merchandise and perpetual care trusts ($2.8 million), other income ($0.3 million) and interest income on accounts receivable ($0.2 million).

Total costs and expenses

Total costs and expenses for Cemetery Operations—West were $28.2 million for the year ended December 31, 2008, an increase of $18.3 million, or 183.5%, compared to $9.9 million during the year ended December 31, 2007.

The increase was primarily related to:

- A $2.8 million increase in cost of goods sold. This was directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of cost of goods sold to the total value of pre-need and at-need contracts written declined by 370 basis points to 13.5% in 2008 as compared to 17.2% during 2007.
- A $5.4 million increase in selling expenses. This was also directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of selling expenses to the total value of pre-need and at-need contracts written declined by 220 basis points to 24.0% during 2008 as compared to 26.2% during 2007.
- A $6.8 million increase in cemetery expenses. The increase was due to a $4.0 million increase in labor costs and a $2.8 million increase in non-labor costs. Non-labor cost significant increases included maintenance ($1.1 million), utilities ($0.9 million), real estate taxes ($0.4 million) and routine repairs ($0.2 million).
- A $3.0 million increase in general and administrative expenses. The increase was due to a $1.8 million increase in labor costs and a $1.2 million increase in non-labor costs. Non-labor cost significant increases included insurance ($0.3 million), routine overhead ($0.2 million), supplies ($0.2 million) and a number of smaller increases.
- A $0.3 million increase in depreciation expense which was primarily caused by an increase in depreciable assets.

Interest Expense

Interest expense for Cemetery Operations—West was $2.7 million for the year ended December 31, 2008, an increase of $2.3 million, or 534.4%, compared to $0.4 million during the year ended December 31, 2007. The increase was primarily due to the overall increase in corporate interest.

Funeral Home Segment

Unlike our cemetery operations segment, there is no substantial lag between the sale and delivery of funeral home product and services. Accordingly, the production based view and resulting numbers that management utilizes to analyze our funeral home business does not differ from GAAP accounting for this segment.

The table below compares the results of operations for our Funeral Home segment for the year ended December 31, 2008 as compared to the year ended December 31, 2007:

	Year ended December 31,			
	2008	2007	Change ($)	Change (%)
	(In thousands) (non-GAAP)			
Total revenues	$23,963	$10,782	$ 13,181	122.3%
Depreciation and amortization	838	386	452	117.1%
Total costs and expenses	19,065	8,422	10,643	126.4%
Operating earnings	4,060	1,974	2,086	105.7%
Interest expense (a)	2,198	615	1,583	257.4%
Earnings (losses) before taxes	$ 1,862	$ 1,359	$ 503	37.0%

(a) Included in interest income on the income statement.

Our Funeral Home segment grew significantly during the year ended December 31, 2008 as compared to the year ended December 31, 2007 primarily due to the December 2007 acquisition of 30 funeral homes from Service Corp International.

Revenues

Revenues for the Funeral Home segment were $24.0 million for the year ended December 31, 2008, an increase of $13.2 million, or 122.3%, compared to $10.8 million during the year ended December 31, 2007.

The increase was primarily attributable to an increase in at-need revenues ($9.3 million), pre-need revenues ($2.3 million) and other revenues ($1.6 million).

Depreciation and amortization

Depreciation and amortization for the Funeral Home segment was $0.8 million for the year ended December 31, 2008, an increase of $0.5 million, or 117.1%, compared to $0.3 million during the year ended December 31, 2007. The increase was primarily related to an increase in depreciable assets.

Total costs and expenses

Total costs and expenses for the Funeral Home segment were $19.1 million for the year ended December 31, 2008, an increase of $10.6 million, or 126.4%, compared to $8.4 million during the year ended December 31, 2007.

The increase was primarily related to increases in personnel expenses ($4.9 million), merchandise ($2.1 million), fixed facility costs ($1.0 million), general and administrative expenses ($0.8 million) and variable facility costs ($0.5 million).

Interest Expense

Interest expense for the Funeral Home segment was $2.2 million for the year ended December 31, 2008, an increase of $1.6 million, or 257.4%, compared to $0.6 million during the year ended December 31, 2007. The increase was primarily attributable to an increase in the total amount of debt outstanding.

Corporate Segment

Amounts allocated to the Corporate segment include each of the following:

- Miscellaneous selling, cemetery and general administrative expenses that are not allocable to other operating segments.
- Various home office and other expenses. These expenses equal the total corporate expenses as shown on the face of the income statement.
- Certain depreciation and amortization expenses.
- Gains and losses and purchases and sales of cemetery and funeral home properties.
- Certain costs related to refinancing.
- Acquisition related costs.

The table below details expenses incurred by the Corporate segment for the year ended December 31, 2008 and December 31, 2007:

	Year ended December 31,			
	2008	2007	Change ($)	Change (%)
	(In thousands)			
Selling, cemetery and general and administrative expenses (a)	$ 1,385	$ 978	$ 407	41.6%
Depreciation and amortization	1,381	1,248	133	10.7%
Corporate expenses				
Corporate personnel expenses	10,031	11,871	(1,840)	-15.5%
Other corporate expenses	11,262	13,120	(1,858)	-14.2%
Total corporate expenses	21,293	24,991	(3,698)	-14.8%
Operating loss	$24,059	$27,217	(3,158)	-11.6%
Expenses related to refinancing	—	157	(157)	-100.0%
Interest expense	—	—	—	n/a
Losses before taxes	$24,059	$27,374	$ (3,315)	-12.1%
Personnel expenses as a % of segment revenues	5.6%	9.4%		
Other expenses as a % of segment revenues	6.3%	10.4%		
Total expenses as a % of segment revenue	11.9%	19.8%		

Selling, cemetery and general and administrative expenses that were allocated to the corporate segment were $1.4 million during the year ended December 31, 2008, an increase of $0.4 million, or 41.6%, compared to $1.0 million for the year ended December 31, 2007. The increase was primarily caused by an increase in salesperson's bonuses and other personnel expenses allocated to the corporate segment ($0.3 million).

Depreciation and amortization allocated to the corporate segment was $1.4 million during the year ended December 31, 2008, an increase of $0.1 million, or 10.7%, compared to $1.3 million for the year ended December 31, 2007. The increase was primarily caused by an increase in depreciable assets.

Total corporate expenses were $21.3 million during the year ended December 31, 2008, a decrease of $3.7 million, or 14.8%, compared to $25.0 million during 2007. The decrease was equally distributed between personnel related expenses ($1.8 million) and non-personnel expenses ($1.9 million). For the purpose of this comparison, non-cash unit based compensation is included in non-personnel expenses. The decrease in personnel related expenses was primarily attributable to a bonus expense in 2007 ($3.2 million) that was not incurred in 2008. The decrease in non-personnel related expenses was primarily attributable to a reduction in unit-based compensation ($2.5 million) offset by a number of small increases.

Expenses related to refinancing of $0.2 million during the year ended December 31, 2007 related to the write-down of previously capitalized and deferred financing fees.

Reconciliation of Segment Results of Operations to Consolidated Results of Operations

As discussed in the segment sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations, cemetery revenues and their associated costs as reported at the consolidated level are deferred until such time that we meet the delivery component for revenue recognition.

Periodic consolidated revenues reflect the amount of total merchandise and services which were delivered during the period. Accordingly, period over period changes to revenues can be impacted by:

- Changes in the value of contracts written and other revenues generated during a period that are delivered in their period of origin and are recognized as revenue and not deferred as of the end of their period of origination.
- Changes in merchandise and services that are delivered during a period that had been originated during a prior period.

Table of Contents

The table below analyzes results of operations and the changes therein for the year ended December 31, 2008 compared to the year ended December 31, 2007. The table is structured so that our readers can determine whether changes were based upon changes in the level of merchandise and services and other revenues generated during each period and/ or changes in the timing of when merchandise and services were delivered:

	Year ended December 31, 2008 (in thousands)			Year ended December 31, 2007 (in thousands)				
	Segment Results	Changes in Deferred Revenues and Expenses	Consolidated Results	Segment Results	Changes in Deferred Revenues and Expenses	Consolidated Results	Change in consolidated results ($)	Change in consolidated results (%)
Revenues								
Pre-need cemetery revenues	$ 91,050	$ (22,987)	$ 68,063	$ 71,422	$ (9,443)	$ 61,979	$ 6,084	9.8%
At-need cemetery revenues	63,874	(39)	63,835	44,348	(6)	44,342	19,493	44.0%
Investment income from trusts	23,519	(3,237)	20,282	29,375	(8,748)	20,627	(345)	-1.7%
Interest income	5,384	—	5,384	4,711	—	4,711	673	14.3%
Funeral home revenues	23,963	—	23,963	10,784	—	10,784	13,179	122.2%
Other cemetery revenues	1,376	545	1,921	2,104	767	2,871	(950)	-33.1%
Total revenues	209,168	(25,718)	183,450	162,744	(17,430)	145,314	38,136	26.2%
Costs and expenses								
Cost of goods sold	26,687	(3,805)	22,882	21,256	(1,585)	19,671	3,211	16.3%
Cemetery expense	41,651	—	41,651	30,767	—	30,767	10,884	35.4%
Selling expense	40,379	(5,573)	34,806	31,134	(1,889)	29,245	5,561	19.0%
General and administrative expense	21,372	—	21,372	15,684	—	15,684	5,688	36.3%
Corporate overhead	21,293	—	21,293	24,991	—	24,991	(3,698)	-14.8%
Depreciation and amortization	5,029	—	5,029	3,891	—	3,891	1,138	29.2%
Funeral home expense	19,065		19,065	8,422	—	8,422	10,643	126.4%
Total costs and expenses	175,476	(9,378)	166,098	136,145	(3,474)	132,671	33,427	25.2%
Operating profit	33,690	(16,340)	17,350	26,599	(13,956)	12,643	4,707	37.2%
Expenses related to refinancing	—	—	—	157	—	157	(157)	n/a
Interest expense	12,714	—	12,714	9,075	—	9,075	3,639	40.1%
Income before taxes	20,976	(16,340)	4,636	17,367	(13,956)	3,411	1,225	35.9%
State income taxes	304	—	304	398	—	398	(94)	-23.6%
Federal income taxes	(224)	—	(224)	227	—	227	(451)	-198.7%
Total income taxes	80	—	80	625	—	625	(545)	-87.2%
Net income	$ 20,896	$ (16,340)	$ 4,556	$ 16,742	$ (13,956)	$ 2,786	$ 1,770	63.5%

Revenues

In December of 2007, we completed our acquisition of 45 cemeteries and 30 funeral homes from Service Corp International. This acquisition led to substantial increases in revenue for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

Pre-need cemetery revenues were $68.1 million for the year ended December 31, 2008, an increase of $6.1 million, or 9.8%, as compared to $62.0 million during 2007. There was a substantial increase in the value of contracts written ($19.6 million) which was offset by a substantial increase in deferred revenue ($13.5 million). The overall increase was primarily caused by an increase in the delivery of pre-need lots ($7.1 million), mausoleums ($1.9 million), niches ($1.3 million), grave openings ($0.9 million) and document fees ($0.5 million) offset by a decrease in the delivery of caskets ($2.0 million), bases ($2.0 million) and markers ($1.9 million).

At-need cemetery revenues were $63.8 million for the year ended December 31, 2008, an increase of $19.5 million, or 44.0%, as compared to $44.3 million during 2007. The overall increase was primarily related to an increase in grave openings and closings ($6.2 million), markers ($5.6 million), lots ($3.0 million), vaults ($1.6 million), crypts ($0.9 million) and mausoleums and bases ($0.6 million each).

Investment income from trusts was $20.3 million for the year ended December 31, 2008, a slight decrease of $0.3 million, or 1.7%, as compared to $20.6 million during 2007. There were no major variances in income items.

Interest income on accounts receivable was $5.4 million for the year ended December 31, 2008, an increase of $0.7 million, or 14.3%, as compared to $4.7 million during 2007. The change was related to the increase in the value of contracts written.

Revenues for the Funeral Home segment were $24.0 million for the year ended December 31, 2008, an increase of $13.2 million, or 122.2%, compared to $10.8 million during 2007. The increase was primarily attributable to an increase in at-need revenues ($9.3 million), pre-need revenues ($2.3 million) and other revenues ($1.6 million).

Other cemetery revenues include miscellaneous items that are not grouped with our other cemetery merchandise and services. Other cemetery revenues were $1.9 million for the year ended December 31, 2008, a decrease of $1.0 million, or 33.1%, as compared to $2.9 million during 2007. The decrease was primarily caused by a $1.3 million decrease in asset sales revenue offset by a $0.3 increase in other miscellaneous revenues.

Costs and Expenses

Cost of goods sold were $22.9 million for the year ended December 31, 2008, an increase of $3.2 million, or 16.3%, as compared to $19.7 million in 2007. The increase was primarily due to the increase in associated revenues. The ratio of cost of goods sold to pre-need and at-need cemetery revenues decreased to 17.3% for the year ended December 31, 2008 as compared to 18.5% during 2007.

Cemetery expenses were $41.7 million during the year ended December 31, 2008, an increase of $10.9 million, or 35.4%, compared to $30.8 million during 2007. The increase was split between an increase in labor costs ($6.0 million) and non-labor costs ($4.9 million). The increase in non-labor costs was primarily attributable to an increase in maintenance ($2.0 million), utilities ($1.6 million) and real estate taxes ($0.5 million). Cemetery expenses relate to the current costs of managing and maintaining our cemetery properties. These costs are expensed as incurred and are not deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring cemetery expenses is as a ratio of segment level pre-need and at-need cemetery revenues. The ratio of cemetery expenses to segment level pre-need and at-need cemetery revenues was 26.9% during the year ended December 31, 2008 as compared to 26.6% during 2007.

Selling expenses were $34.8 million during the year ended December 31, 2008, an increase of $5.6 million, or 19.0%, as compared to $29.2 million in 2007. The ratio of cost of selling expenses to pre-need and at-need cemetery revenues decreased to 26.4% for the year ended December 31, 2008 as compared to 27.5% during 2007.

General and administrative expenses were $21.4 million during the year ended December 31, 2008, an increase of $5.7 million, or 36.3%, as compared to $15.7 million during 2007. The increase was equally split between an increase in labor costs ($2.8 million) and non-labor costs ($2.9 million). The increase in non-labor costs was primarily attributable to an increase in corporate insurance ($0.7 million), professional fees ($0.4 million), supplies ($0.3 million) and a number of smaller changes. General and administrative expenses are expensed as incurred and are not deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring general and administrative expenses is as a ratio of segment level pre-need and at-need cemetery revenues. The ratio of general and administrative expenses to segment level pre-need and at-need cemetery revenues was 13.8% during the year ended December 31, 2008 as compared to 13.5% during 2007.

Total corporate overhead was $21.3 million during the year ended December 31, 2008, a decrease of $3.7 million, or 14.8%, compared to $25.0 million during 2007. The decrease was equally distributed between personnel related expenses ($1.8 million) and non-personnel expenses ($1.9 million). For the purpose of this comparison, non-cash unit based compensation is included in non-personnel expenses. The decrease in personnel related expenses was primarily attributable to a bonus expense in 2007 ($3.2 million) that was not incurred in 2008. The decrease in non-personnel related expenses was primarily attributable to a reduction in unit-based compensation ($2.5 million) offset by a number of small increases.

Depreciation and amortization was $5.0 million during the year ended December 31, 2008, an increase of $1.1 million, or 29.2%, as compared to $3.9 million during the period last year. The increase was primarily due to an increase in the basis of depreciable assets.

Funeral Home expenses were $19.1 million for the year ended December 31, 2008, an increase of $10.6 million, or 126.4%, compared to $8.4 million during 2007. The increase was primarily related to increases in personnel expenses ($4.9 million), merchandise ($2.1 million), fixed facility costs ($1.0 million), general and administrative expenses ($0.8 million) and variable facility costs ($0.5 million).

Interest expense was $12.7 million during the year ended December 31, 2008, an increase of $3.6 million, or 40.1%, as compared to $9.1 million during 2007. The increase was primarily due to an overall increase in the average amount of debt outstanding.

Liquidity and Capital Resources

Overview

Our primary short-term liquidity needs are to fund general working capital requirements, repay our debt obligations, service our debt and make routine maintenance capital improvements. We will need additional liquidity to construct mausoleum and lawn crypts on the grounds of our cemetery properties.

Our primary sources of liquidity are cash flow from operations and amounts available under our credit facilities as described below. In the past, we have been able to increase our liquidity through 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 Agreement, which is discussed below, will be sufficient to meet our working capital requirements as well as our anticipated capital expenditures for the foreseeable future.

In addition to macroeconomic conditions, 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.

Long-term Debt

Purchase Agreement

On November 18, 2009, we entered into a Purchase Agreement (the "Purchase Agreement") by and among StoneMor Operating LLC (the "Operating Company"), Cornerstone Family Services of West Virginia Subsidiary, Inc. ("CFS West Virginia"), Osiris Holding of Maryland Subsidiary, Inc. ("Osiris"), the Partnership, the subsidiary guarantors named in the Purchase Agreement (together with us, the "Note Guarantors") and Banc of America Securities LLC ("BAS"), acting on behalf of itself and as the representative for the other initial purchasers named in the Purchase Agreement (collectively, the "Initial Purchasers"). Pursuant to the Purchase Agreement, the Operating Company, CFS West Virginia and Osiris (collectively, the "Issuers"), each our wholly-owned subsidiary, as joint and several obligors, agreed to sell to the Initial Purchasers $150.0 million aggregate principal amount of 10.25% Senior Notes due 2017 (the "Senior Notes"), with an original issue discount of approximately $4.0 million, in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the "Securities Act"), for resale by the Initial Purchasers (i) to qualified institutional buyers pursuant to Rule 144A under the Securities Act or (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act (the "Notes Offering"). The Notes Offering closed on November 24, 2009.

The Purchase Agreement contains customary representations and warranties of the parties and indemnification and contribution provisions under which we, the Issuers, and other Note Guarantors, on one hand, and the Initial Purchasers, on the other, have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act. The Issuers, us and the other Note Guarantors also agreed to enter into a Registration Rights Agreement (described below) for the benefit of holders of the Senior Notes.

The net proceeds from the Notes Offering and Units Offering were used, in part, to:

- repay approximately $30.7 million of borrowings under the Revolving Facility (as defined below);
- repay approximately $104.7 million of borrowings under the Acquisition Credit Facility (as defined below); and
- redeem $17.5 million of outstanding 11.00% Series B Senior Secured Notes due 2012 (the "Series B Notes").

Indenture

On November 24, 2009, the Issuers, us and the other Note Guarantors entered into an indenture (the "Indenture"), among the Issuers, us, the other Note Guarantors and Wilmington Trust FSB, as trustee (the "Trustee") governing the Senior Notes.

The Issuers will pay 10.25% interest per annum on the principal amount of the Senior Notes, payable in cash semi-annually in arrears on June 1 and December 1 of each year, starting on June 1, 2010. The Senior Notes mature on December 1, 2017.

The Senior Notes are senior unsecured obligations of the Issuers and:

- rank equally in right of payment with all existing and future senior unsecured debt of the Issuers;
- rank senior in right of payment to all existing and future senior subordinated and subordinated debt of the Issuers;

- are effectively subordinated in right of payment to existing and future secured debt of the Issuers, to the extent of the value of the assets securing such debt; and
- are structurally subordinated to all of the existing and future liabilities of each subsidiary of the Issuers that does not guarantee the Senior Notes.

The Issuers' obligations under the Senior Notes and the Indenture are jointly and severally guaranteed (the "Note Guarantees") by us and each subsidiary, other than the Issuers, that is a guarantor of any indebtedness under the Credit Agreement (as defined below), or is a borrower under the Credit Agreement and each other subsidiary that the Issuers shall otherwise cause to become a Note Guarantor pursuant to the terms of the Indenture (each, a "Restricted Subsidiary").

At any time on or after December 1, 2013, the Issuers, at their option, may redeem the Senior Notes, in whole or in part, at the redemption prices (expressed as percentages of the principal amount) set forth below, together with accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period beginning December 1 of the years indicated:

Year	Optional Redemption Price
2013	105.125%
2014	102.563%
2015 and thereafter	100%

At any time prior to December 1, 2013, the Issuers may, on one or more occasions, redeem all or any portion of the Senior Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus the Applicable Premium (as defined in the Indenture) as of the date of redemption, including accrued and unpaid interest to the redemption date.

In addition, at any time prior to December 1, 2012, the Issuers, at their option, may redeem up to 35% of the aggregate principal amount of the Senior Notes issued under the Indenture with the net cash proceeds of certain of our equity offerings described in the Indenture at a redemption price equal to 110.250% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest to the redemption date provided, however, that (i) at least 65% of the aggregate principal amount of the Senior Notes issued under the Indenture remain outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 90 days of the closing date of such offering.

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

The Indenture requires us, the Issuers and/or the Note Guarantors, as applicable, to comply with various covenants including, but not limited to, covenants that, subject to certain exceptions, limit our and our subsidiaries' ability to (i) incur additional indebtedness; (ii) make certain dividends, distributions, redemptions or investments; (iii) enter into certain transactions with affiliates; (iv) create, incur, assume or permit to exist certain liens against their assets; (v) make certain sales of their assets; and (vi) engage in certain mergers, consolidations or sales of all or substantially all of their assets. The Indenture also contains various affirmative covenants regarding, among other things, delivery of certain reports filed with the SEC and materials required pursuant to Rule 144A under the Securities Act to holders of the Senior Notes and joinder of future subsidiaries as Note Guarantors under the Indenture. We were in compliance with all covenants at December 31, 2009.

Events of default under the Indenture that could, subject to certain conditions, cause all amounts owing under the Senior Notes to become immediately due and payable include, but are not limited to, the following:

1. failure by the Issuers to pay interest on any of the Senior Notes when it becomes due and the continuance of any such failure for 30 days;
2. failure by the Issuers to pay the principal on any of the Senior Notes when it becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise;
3. the Issuers' failure to comply with the agreements and covenants relating to limitations on entering into certain mergers, consolidations or sales of all or substantially all of their assets or in respect of their obligations to purchase the Senior Notes in connection with a Change of Control;
4. failure by the us or the Issuers to comply with any other agreement or covenant in the Indenture and the continuance of this failure for 60 days after notice of the failure has been given us by the Trustee or holders of at least 25% of the aggregate principal amount of the Senior Notes then outstanding;
5. failure by us to comply with our covenant to deliver certain reports and the continuance of such failure to comply for a period of 120 days after written notice thereof has been given to us by the Trustee or by the holders of at least 25% in aggregate principal amount of the Senior Notes then outstanding;
6. certain defaults under mortgages, indentures or other instruments or agreements under which there may be issued or by which there may be secured or evidenced our indebtedness or indebtedness of any Restricted Subsidiary, whether such indebtedness now exists or is incurred after the date of the Indenture;
7. certain judgments or orders that exceed $7.5 million for the payment of money have been entered by a court of competent jurisdiction against us or any Restricted Subsidiary and such judgments have not been satisfied, stayed, annulled or rescinded within 60 days of being entered;
8. certain events of bankruptcy of us, StoneMor GP LLC, our general partner (the "General Partner"), or any Restricted Subsidiary; or
9. other than in accordance with the terms of the Note Guarantee and the Indenture, any Note Guarantee ceasing to be in full force and effect, being declared null and void and unenforceable, found to be invalid or any Guarantor denying its liability under its Note Guarantee.

Registration Rights Agreement

In connection with the sale of the Senior Notes, on November 24, 2009, the Issuers, us, the other Note Guarantors and BAS, as representative of the Initial Purchasers, entered into a Registration Rights Agreement (the "Registration Rights Agreement"), pursuant to which the Issuers, us and the other Note Guarantors agreed, for the benefit of the holders of the Senior Notes, to use their commercially reasonable efforts to file a registration statement with the SEC with respect to a registered offer to exchange the Senior Notes for new "exchange" notes having terms substantially identical in all material respects to the Senior Notes, with certain exceptions (the "Exchange Offer"). The Issuers, us and the other Note Guarantors agreed to use their commercially reasonable efforts to consummate such Exchange Offer on or before the 366 th day after the issuance of the Senior Notes.

In addition, upon the occurrence of certain events described in the Registration Rights Agreement which result in the inability to consummate the Exchange Offer, the Issuers, us and the other Note Guarantors agreed to file a shelf registration statement with the SEC covering resales of the Senior Notes and to use their commercially reasonable efforts to cause such shelf registration statement to be declared effective.

The Issuers are required to pay additional interest to the holders of the Senior Notes under certain circumstances if they fail to comply with their obligations under the Registration Rights Agreement.

Note Purchase Agreement

On August 15, 2007, we entered into, along with the General Partner and certain of our subsidiaries, (collectively, the "Note Issuers") the Amended and Restated Note Purchase Agreement (the "NPA") with Prudential Investment Management Inc., The Prudential Insurance Company of America, Prudential Retirement Insurance and Annuity Company, certain Affiliates of Prudential Investment Management Inc., iStar Financial Inc., SFT I, Inc., and certain Affiliates of iStar Financial Inc. (collectively, the "Note Purchasers"). Capitalized terms which are not defined in this Annual Report on Form 10-K shall have the same meaning assigned to such terms in the NPA,as amended.

Pursuant to the NPA, the Note Issuers and the Note Purchasers agreed to (a) exchange certain senior secured notes previously issued by the Note Issuers to the Note Purchasers on September 20, 2004, for new Series A Notes, as defined in the NPA, due September 20, 2009, in the amount of $80 million; and (b) issue Series B Notes, as defined in the NPA, due August 15, 2012 in the aggregate amount of $35 million, subject to the option, on an uncommitted basis, to issue/purchase additional secured Shelf Notes in the aggregate amount of up to $35 million, and to issue/purchase additional secured Shelf Notes to refinance the Series A Notes.

On November 2, 2007, we entered into the First Amendment to Amended and Restated Note Purchase Agreement (the "First Amendment to NPA") by and among us, the General Partner, certain of our subsidiaries and the noteholders, to among other things, amend the negative covenants of the NPA.

On December 21, 2007, we entered into the Joinder to Amended and Restated Note Purchase Agreement and Finance Documents pursuant to which we added certain issuers to the NPA. Pursuant to the NPA, as amended, certain of our subsidiaries issued Senior Secured Series C Notes (the "Series C Notes" and together with Series A Notes, Series B Notes and the Shelf Notes are referred to as the "Notes") in the aggregate principal amount of $17.5 million, due December 21, 2012.

The Series A Notes bore an interest rate of 7.66% per annum, the Series B Notes bore an interest of 9.34% per annum and the Series C Notes bore an interest rate of 9.09% per annum.

The Notes were guaranteed by both us and StoneMor GP. The Notes ranked pari passu with all other senior secured debt, including the Revolving Credit Facility and the Acquisition Credit Facility. Obligations under the Notes were secured by a first priority lien and security interest covering substantially all of the assets of the Note Issuers, whether then owned or thereafter acquired, other than specified receivable rights and a second priority lien and security interest covering those specified receivable rights of the Note Issuers, whether then owned or thereafter acquired. These assets secured the Notes and the Acquisition Credit Facility described below. The priority of the liens and security interests securing the Notes is pari passu with the liens and security interests securing the Acquisition Credit Facility described below.

On April 30, 2009, we entered into the Second Amendment to Amended and Restated Credit Agreement by and among us and certain of our subsidiaries, the lenders, and Bank of America, N.A., as Administrative Agent (the "Second Amendment to Credit Agreement"), pursuant to which we borrowed $63,000,000 under the new Acquisition Credit Facility commitments, which, together with the $17,000,000 of the existing availability under the Acquisition Credit Facility, were used to repay the Series A Notes. In addition, we borrowed $5,400,000 under the Revolving Credit Facility, which was used to pay the accrued interest on the Series A Notes, fees to Bank of America, N.A., amendment fees to noteholders under the Second Amendment to NPA described below as well as various other fees and costs incurred in connection with these transactions. In connection with the Second Amendment to Credit Agreement, on April 30, 2009, we also entered into the Second Amendment to Amended and Restated Note Purchase Agreement by and among us, the General Partner and certain of our subsidiaries and the noteholders (the "Second Amendment to NPA").

The Second Amendment to NPA amended the Note Purchase Agreement to, among other matters, amend and restate the Series B Notes and the Series C Notes. The Series B Notes were amended to increase the interest rate to 11.00% (the “Amended Series B Notes”). The Series C Notes were amended not only to increase the interest rate to 11.00%, but also to change the maturity date from December 21, 2012 to August 15, 2012 (the “Amended Series C Notes,” and together with the Amended Series B Notes, the “Amended NPA Notes”).

On July 1, 2009, we entered into the Third Amendment to Amended and Restated Note Purchase Agreement by and among us, the General Partner, certain of our subsidiaries and the noteholders, to among other things, amend certain negative covenants of the NPA.

In connection with the Fourth Amendment to Credit Agreement, as described below, on November 24, 2009, we entered into the Fourth Amendment to Amended and Restated Note Purchase Agreement by and among us, the General Partner, the Operating Company, certain of our subsidiaries and the noteholders (the “Fourth Amendment to NPA”). The Fourth Amendment to NPA amended the NPA to, among other matters, amend certain restrictive covenants and other terms set forth in the NPA to permit us to incur the indebtedness evidenced by the Amended NPA Notes, enter into the restrictive covenants set forth in the Indenture, use the net proceeds of the Notes Offering as discussed above and amend the Consolidated Leverage Ratio in accordance with the Fourth Amendment to Credit Agreement.

Under the Fourth Amendment to NPA, the Company is permitted to incur indebtedness under the Credit Agreement not greater than $80.0 million (the “Aggregate Credit Facility Cap”), consisting of the Acquisition Credit Facility, as defined below, not to exceed $45.0 million and the Revolving Credit Facility, as defined below, not to exceed $35.0 million. The Aggregate Credit Facility Cap may be increased up to $100.0 million, with the Acquisition Credit Facility cap to be increased up to $55.0 million and the Revolving Credit Facility cap to be increased up to $45.0 million with the approval of the holders of at least a majority principal amount of the shelf notes, which shall not be unreasonably withheld.

The Note Issuers under the NPA paid fees to the holders of the Amended NPA Notes in connection with the Fourth Amendment to NPA.

The Amended NPA Notes bear an interest rate of 11.00% per annum, payable quarterly. Under the Fourth Amendment to NPA, the interest rate on the Amended NPA Notes was to be increased by 1.5% per annum during any period in which (i) any holder of the Amended NPA Notes is required to maintain reserves in excess of 3.4% of the principal amount of such Amended NPA Notes, as a result of a decision of an insurance regulatory authority having responsibility for valuation of insurance company assets (an “IR Authority”) or (ii) the Senior Notes issued pursuant to the Notes Offering are designated any rating below BB- (or its equivalent) by an IR Authority, provided that any Amended NPA Notes are not designated a separate rating of BB- or higher (or its equivalent) by such authority (each, a “Reserve Event”).

On January 15, 2010, we entered into the Fifth Amendment to the NPA, to provide for further changes to the Consolidated Leverage Ratio similar to the changes under the Fifth Amendment to Credit Agreement, as defined below, and to clarify that the interest rate applicable to the Amended NPA Notes increased from 11% per annum to 12.5% per annum effective November 24, 2009, which increase will continue until the termination of the Reserve Event period in accordance with the NPA.

The NPA contains restrictive covenants that, among other things, prohibit distributions upon defined events of default, restrict investments and sales of assets and require us to maintain certain financial covenants, including specified financial ratios. We were in compliance with all debt covenants at December 31, 2009.

Acquisition Credit Facility and Revolving Credit Facility

On August 15, 2007, we, the General Partner, and the Operating Company and various subsidiaries of the Operating Company (collectively, the "Borrowers"), entered into the Amended and Restated Credit Agreement (the "Credit Agreement") with Bank of America, N.A. ("Bank of America"), other lenders, and BAS (collectively, the "Lenders"). The Credit Agreement provides for both an acquisition credit facility (the "Acquisition Credit Facility") and a revolving credit facility (the "Revolving Credit Facility").

The Credit Agreement initially provided that: (1) the Acquisition Credit Facility would have a maximum principal amount of $40,000,000 (with an option to increase such facility by an additional $15,000,000 on an uncommitted basis) and the term of 5 years, and (2) the Revolving Credit Facility would have a maximum principal amount of $25,000,000 (with an option to increase such facility by up to $10,000,000 on an uncommitted basis) and a term of 5 years. Amounts borrowed under the Acquisition Credit Facility and repaid or prepaid may not be reborrowed and amounts borrowed under the Revolving Credit Facility and repaid or prepaid during the term may be reborrowed. In addition, Bank of America agreed to provide to the borrowers swing line loans ("Swing Line Loans") with a maximum limit of $5,000,000, which is a part of the Revolving Credit Facility. Loans outstanding under the Acquisition Credit Facility and the Revolving Credit Facility bear interest at rates set forth in the Credit Agreement, which have seen been amended as described below.

On November 2, 2007, we, the General Partner and the Borrowers entered into the First Amendment to Amended and Restated Credit Agreement with certain lenders thereto and Bank of America, to among other things, amend certain negative covenants of the Credit Agreement.

On April 30, 2009, we, the General Partner and the Borrowers entered into the Second Amendment to Credit Agreement with the lenders and Bank of America. The Second Amendment to Credit Agreement amended the Credit Agreement to, among other matters, increase (i) the Revolving Credit Facility to a maximum aggregate principal amount of $35,000,000, with the ability to request further increases in a maximum aggregate principal amount of $10,000,000, and (ii) the Acquisition Credit Facility to a maximum aggregate principal amount of $102,850,000, with the ability to request further increases in a maximum aggregate principal amount of $57,000,000, subject to a minimum increase amount of $5,000,000. The maximum aggregate principal amount of the Acquisition Credit Facility was increased to $107,850,000, with the ability to request further increases in a maximum aggregate principal amount of $52,000,000, after giving effect to a $5,000,000 increase in the Acquisition Credit facility implemented through the Lender Joinder to Amended and Restated Credit Agreement, dated June 24, 2009, among us, the General Partner, the Borrowers and other parties thereto.

On July 6, 2009, we, the General Partner, the Borrowers and Bank of America entered into the Third Amendment to Amended and Restated Credit Agreement to among other things, amend certain negative covenants of the Credit Agreement.

Concurrently with the closing of the Notes Offering and Units Offering, on November 24, 2009, we entered into the Fourth Amendment to Amended and Restated Credit Agreement (the "Fourth Amendment to Credit Agreement") by and among us, the General Partner, the Borrowers, the lenders, and Bank of America, as Administrative Agent for the benefit of the lenders. The Fourth Amendment to Credit Agreement amended the Credit Agreement to, among other matters, (i) amend certain restrictive covenants and other terms set forth in the Credit Agreement to permit us to incur the indebtedness evidenced by the Senior Notes, enter into the Indenture and use the net proceeds of the Notes Offering and Units Offering as discussed above; (ii) decrease the Acquisition Credit Facility to a maximum aggregate principal amount of $45.0 million, with the ability to request further increases in a maximum aggregate principal amount of $10.0 million; and (iii) amend the Consolidated Leverage Ratio (as defined in the Credit Agreement) to provide that we and the General Partner shall not permit such ratio to be greater than:

- 4.0 to 1.0, for our most recently completed four fiscal quarters ending prior to January 1, 2010;
- 3.75 to 1.0, for our most recently completed four fiscal quarters ending between January 1, 2010 and December 31, 2010; or
- 3.65 to 1.0, for our most recently completed four fiscal quarters ending after December 31, 2010.

On January 15, 2010, we entered into the Fifth Amendment to the Amended and Restated Credit Agreement (the "Fifth Amendment") which further amended the Consolidated Leverage Ratio to provide that we and the General Partner shall not permit such ratio to be greater than:

- 4.0 to 1.0, for our most recently completed four fiscal quarters ending prior to July 1, 2010;
- 3.75 to 1.0, for our most recently completed four fiscal quarters ending between July 1, 2010 and December 31, 2010; or
- 3.65 to 1.0, for our most recently completed four fiscal quarters ending after December 31, 2010.

The Consolidated Leverage ratio was 3.83 at December 31, 2009.

Loans outstanding under the Acquisition Credit Facility and the Revolving Credit Facility bear interest at a per annum rate based upon a base rate (the "Base Rate") or a Eurodollar rate (the "Eurodollar Rate") plus a margin ranging from 2.25% to 3.25% over the Base Rate and 3.25% to 4.25% over the Eurodollar rate, as selected by the Borrowers. The Base Rate is the highest of (a) the Federal Funds Rate plus 0.5% or (b) the Prime Rate, as defined in the Credit Agreement. The Eurodollar Rate equals to the greater of: (i) the British Bankers Association LIBOR Rate or (ii) if such rate is not available, the rate determined by Bank of America, N.A., as the Administrative Agent, subject to certain conditions. Margin is determined by the ratio of consolidated funded debt to consolidated EBITDA.

The borrowers under the Credit Agreement paid fees to Bank of America, N.A. as Administrative Agent, and Banc of America Securities LLC, as Arranger. In addition, the Credit Agreement requires the Borrowers to pay an unused commitment fee, which is calculated based on the amount by which the commitments under the Credit Agreement exceed the usage of such commitments.

The proceeds of the Acquisition Credit Facility may be used by the Borrowers to finance (i) Permitted Acquisitions, as defined in the Credit Agreement, and (ii) the purchase and construction of mausoleums. The proceeds of the Revolving Credit Facility and Swing Line Loans may be utilized to finance working capital requirements, Capital Expenditures, as defined in the Credit Agreement, and for other general corporate purposes.

Borrowings under the Credit Agreement rank pari passu with all other senior secured debt of the Borrowers including the senior secured notes discussed above. The Borrowers' obligations under the Credit Agreement are guaranteed by both us and our General Partner (collectively, the "Guarantors").

The Borrowers' obligations under the Revolving Credit 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 second priority lien and security interest in substantially all assets other than those receivable rights of the Borrowers and Guarantors, excluding trust accounts and certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts, the General partner's general partner interest in us and the General Partner's incentive distribution rights under our partnership agreement. The specified receivable rights include all accounts and other rights to payment arising under customer contracts or agreements 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.

The Borrowers' obligations under the Acquisition Credit 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, the General Partner's general partner interest in us and the General Partner's incentive distribution rights under our partnership agreement, and a secondary priority lien and security interest in those specified receivable rights. These assets secure the Acquisition Credit Facility and the senior secured notes described above. The priority of the liens and security interests securing the Acquisition Credit Facility is pari passu with the liens and security interests securing the senior secured notes described below.

The agreements governing the Revolving Credit Facility, the Acquisition Credit Facility and Amended NPA Notes contain restrictive covenants that, among other things, prohibit distributions upon defined events of default, restrict investments and sales of assets and require the Company to maintain certain financial covenants, including specified financial ratios. A material decrease in sales could cause the Company to breach certain of its financial covenants, such as the leverage ratio and the interest coverage ratio, under the Company's Credit Agreement and NPA, as amended. Any such breach could allow the lenders to accelerate (or create cross-default under) the Company's debt which would have a material adverse effect on the Company's business, financial condition or results of operations.

There were no amounts outstanding and we were in compliance with all debt covenants under the Credit Agreement at December 31, 2009.

Green Lawn Note

In July of 2009, certain of the Company's subsidiaries, entered into a $1.4 million note purchase agreement in connection with an operating agreement in which the Company became the exclusive operator of Green Lawn Cemetery (the "Green Lawn Note"). The Green Lawn Note bears interest at a rate of 6.5% per year on unpaid principal and is payable monthly, beginning on August 1, 2009. Principal on the note is due in 96 equal installments beginning on July 1, 2011.

Interest Rate Swaps

On November 24, 2009, we entered into an interest rate swap (the "First Interest Rate Swap") wherein we agreed to pay the counterparty interest in the amount of three month LIBOR plus 888 basis points in consideration for the counterparties agreement to pay us a fixed rate of interest of 10.25% on a principal amount of $108 million. Settlements are to be made net on a quarterly basis in February, May, August and November of each year. The First Interest Rate Swap expires on December 1st, 2012.

On December 4, 2009, we entered into an interest rate swap (the "Second Interest Rate Swap", together with the First Interest Rate Swap, the "Interest Rate Swaps") wherein we agreed to pay the counterparty interest in the amount of three month LIBOR plus 869 basis points in consideration for the counterparties agreement to pay us a fixed rate of interest of 10.25% on a principal amount of $27 million. Settlements are to be made net on a quarterly basis in February, May, August and November of each year. The Second Interest Rate Swap expires on December 1, 2012.

The Interest Rate Swaps do not qualify for hedge accounting. Accordingly, the fair values of the Interest Rate Swaps are reported on the balance sheet and periodic changes in the fair value of the Interest Rate Swaps are recorded in earnings. At December 31, 2009, we recorded a liability (the "Fair value of interest rate swaps") of approximately $2.7 million, which represents the fair value of the Interest Rate Swaps at December 31, 2009. We recognized a loss on the fair value of Interest Rate Swaps ("Loss on fair value of interest rate swaps") of approximately $2.7 million during the year ended December 31, 2009.

We entered into the Interest Rate Swaps in an effort to manage our total interest expense. The Interest Rate Swaps reduced fourth quarter 2009 interest expense by approximately $0.2 million.

The Interest Rate Swaps do not contain any credit risk contingent features. No collateral is required to be posted by either counterparty.

Disposition of a Funeral Home

During the second quarter of the year, we disposed of a single funeral home. We received approximately $0.5 million in cash for this disposition.

Cash Flow from Operating Activities

Cash flows provided by operating activities were $13.5 million in 2009, a decrease of $7.6 million, or 36.0%, compared to $21.1 million in 2008. The reduction in operating cash flow was in large part driven by an increase of the net cash inflows into our merchandise trust ($5.7 million).

Cash flows provided by operating activities were $21.1 million in 2008, an increase of $2.1 million, or 11.4%, compared to $19.0 million in 2007. The increase was primarily due to the December 2007 acquisition of 45 cemeteries and 30 funeral homes.

Cash flows from operations in 2009, 2008 and 2007 significantly outpaced our net income (loss) (($1.1 million), $4.6 million and $2.8 million, respectively) during the same periods. This is in large part attributable to the fact that various cash inflows for payments of amounts due under pre-need sales contracts were not as of yet recognized as revenues as we had not as of yet met the delivery criteria for revenue recognition. Although there is no assurance, we expect that the trend of operating cash flows outpacing net income will continue into the foreseeable future.

Cash Flow from Investing Activities

Net cash used in investing activities was $11.0 million during 2009, a decrease of $6.0 million, or 35.3%, compared to $17.0 million during 2008. Cash flows used for investing activities during 2009 were primarily utilized for acquisitions made in the second and third quarters ($4.1 million), expansion capital improvements at our properties ($4.8 million), maintenance capital improvements at our cemeteries ($2.5 million) offset by consideration received for the disposition of a funeral home ($0.5 million). Cash flows used for investing activities during 2008 were primarily utilized for acquisitions ($5.6 million), expansion capital improvements at our properties ($4.4 million) and maintenance capital improvements at our cemeteries ($4.8 million).

Net cash used in investing activities was $17.0 million during 2008, a decrease of $69.8 million, or 80.4%, compared to $86.8 million during 2007. 2008 cash flow uses are discussed above while 2007 cash flow used for investing activities primarily related to our December 2007 acquisition of 45 cemeteries and 30 funeral homes.

Cash Flow from Financing Activities

Net cash provided by financing activities was $3.9 million during 2009, as opposed to net cash used in financing activities of $10.8 million during 2008. The 2009 net cash inflow was primarily related to proceeds from a public unit offering ($23.7 million) and net additional borrowings ($20.8 million), offset by partner distributions ($27.3 million) and costs related to financing ($13.9 million). The 2008 use of cash was primarily for partner distributions ($25.7 million) offset by increased borrowings on our working capital line to fund pre-need sales growth of $14.7 million.

Net cash used in financing activities was $10.8 million during 2008, as opposed to net cash flows provided of $71.7 million in 2007. The 2008 use of cash was primarily for partner distributions ($25.7 million) offset by increased borrowings on our working capital line to fund pre-need sales growth of $14.7 million. The 2007 net cash inflow was primarily due to sales of partner units ($50.8 million) and increased borrowings ($42.7 million) offset by partner distributions of $18.7 million. The proceeds from the sale of units and increased borrowings were in large part used to fund the December 2007 acquisition of 45 cemeteries and 30 funeral homes.

Intercreditor and Collateral Agency Agreement

In connection with the closing of our credit facilities and the private placement of the notes we entered into, along with our general partner, certain of our subsidiaries, the lenders under the credit facility, the holders of the notes and Fleet National Bank, as collateral agent, 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 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:

	Year ended December 31,		
	2009	2008	2007
		(In thousands)	
Maintenance capital expenditures	$ 2,524	$ 4,809	$ 3,051
Expansion capital expenditures	8,859	12,237	83,726
Total capital expenditures	$11,383	$17,046	$86,777

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 is 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.

Off Balance Sheet Arrangements, Contractual Obligations and Contingencies

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

A summary of our total contractual obligations as of December 31, 2009 is presented in the table below:

	As of 31-Dec-09				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(In thousands)		
Debt (1)	$320,662	$20,271	$74,798	$30,750	$194,844
Operating leases	10,223	1,838	3,092	2,124	3,169
Merchandise liabilities (2)	65,883	—	—	—	—
Total	$263,622	$ 2,408	$40,038	$ 2,124	$153,169

(1) Represents the interest payable and the par value of debt due and does not include the unamortized debt discount of $3,938 at December 31, 2009.

(2) Total cannot be seperated into periods because we are unable to anticipate when the merchandise will be needed.

We had no off-balance sheet arrangements as of December 31, 2009 or 2008.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The information presented below should be read in conjunction with the notes to our audited consolidated financial statements included under “Item 8—Financial Statements and Supplementary Data.”

The market risk inherent in our market risk sensitive instruments and positions is the potential change arising from increases or decreases in interest rates and the prices of marketable equity securities, as discussed below. Our exposure to market risk includes forward-looking statements and represents an estimate of possible changes in fair value or future earnings that would occur assuming hypothetical future movements in interest rates or equity markets. Our views on market risk are not necessarily indicative of actual results that may occur and do not represent the maximum possible gains and losses that may occur, since actual gains and losses will differ from those estimated, based on actual fluctuations in interest rates, equity markets and the timing of transactions. We classify our market risk sensitive instruments and positions as “other than trading.”

Interest-bearing Investments

Our fixed-income securities subject to market risk consist primarily of investments in our merchandise trusts and perpetual care trusts. As of December 31, 2009, the fair value of fixed-income securities in our merchandise trusts represented 6.9% of the fair value of total trust assets while the fair value of fixed-income securities in our perpetual care trusts represented 12.7% of the fair value of total trust assets. The aggregate quoted fair value of these fixed-income securities was $14.1 million and $24.9 million in merchandise trusts and perpetual care trusts, respectively, as of December 31, 2008. Each 1% change in interest rates on these fixed-income securities would result in changes of approximately $141,000 and $249,000 in the fair market value of the assets in our merchandise trusts and perpetual care trusts, respectively, based on discounted expected future cash flows. If these securities are held to maturity, no change in fair market value will be realized.

Our money market and other short-term investments subject to market risk consist primarily of investments in our merchandise trusts and perpetual care trusts. As of December 31, 2009, the fair value of money market and short-term investments in our merchandise trusts represented 23.3% of the fair value of total trust assets while the fair value of money market and other short-term investments in our perpetual care trusts represented 23.7% of the fair value of total trust assets. The aggregate quoted fair value of these fixed-income securities was $47.5 million and $46.6 million in merchandise trusts and perpetual care trusts, respectively, as of December 31, 2009. Each 1% change in interest rates on these fixed-income securities would result in changes of approximately $475,000 and $466,000 in the fair market value of the assets in our merchandise trusts and perpetual care trusts, respectively.

Marketable Equity Securities

Our marketable equity securities subject to market risk consist primarily of investments held in our merchandise trusts and perpetual care trusts. These assets consist of investments in both individual equity securities as well as closed and open ended mutual funds. As of December 31, 2009, the fair value of marketable individual equity securities in our merchandise trusts represented 15.6% of the fair value of total trust assets while the fair value of marketable equity securities in our perpetual care trusts represented 18.0% of total trust assets. The aggregate quoted fair market value of these marketable individual equity securities was $31.8 million and $35.4 million in merchandise trusts and perpetual care trusts, respectively, as of December 31, 2009, based on final quoted sales prices. Each 10% change in the average market prices of the individual equity securities would result in a change of approximately $3.2 million and $3.5 million in the fair market value of securities held in merchandise trusts and perpetual care trusts, respectively. As of December 31, 2009, the fair value of marketable closed and open ended mutual funds in our merchandise trusts represented 53.5% of the fair value of total trust assets while the fair value of closed and open ended mutual funds in our perpetual care trusts represented 45.3% of total trust assets. The aggregate quoted fair market value of these closed and open ended mutual funds was $109.2 million and $88.9 million in merchandise trusts and perpetual care trusts, respectively, as of December 31, 2009, based on final quoted sales prices. Each 10% change in the average market prices of the closed and open ended mutual funds would result in a change of approximately $10.9 million and $8.9 million in the fair market value of securities held in merchandise trusts and perpetual care trusts, respectively.

Investment Strategies and Objectives

Our internal investment strategies and objectives for funds held in merchandise trusts and perpetual care trusts are specified in an Investment Policy Statement which requires us to do the following:

- State in a written document our expectations, objectives, tolerances for risk and guidelines in the investment of our assets;
- Set forth a disciplined and consistent structure for managing all trust assets. This structure is based on a long-term asset allocation strategy, which is diversified across asset classes, investment styles and strategies. We believe this structure is likely to meet our stated objectives within our tolerances for risk and variability. This structure also includes ranges around the target allocations allowing for adjustments when appropriate to reduce risk or enhance returns. It further includes guidelines for the selection of investment managers and vehicles through which to implement the investment strategy;
- Provide specific guidelines for each investment manager. These guidelines control the level of overall risk and liquidity assumed in each portfolio;
- Appoint third-party investment advisors to oversee the specific investment managers and advise our Trust and Compliance Committee; and
- Establish criteria to monitor, evaluate and compare the performance results achieved by the overall trust portfolios and by our investment managers. This allows us to compare the performance results of the trusts to our objectives and other benchmarks, including peer performance, on a regular basis.

Our investment guidelines are based on relatively long investment horizons, which vary with the type of trust. Because of this, interim fluctuations should be viewed with appropriate perspective. The strategic asset allocation of the trust portfolios is also based on this longer-term perspective. However, in developing our investment policy, we have taken into account the potential negative impact on our operations and financial performance of significant short-term declines in market value.

We recognize the challenges we face in achieving our investment objectives in light of the uncertainties and complexities of contemporary investment markets. Furthermore, we recognize that, in order to achieve the stated long-term objectives, we may have short-term declines in market value. Given the need to maintain consistent values in the portfolio, we have attempted to develop a strategy which is likely to maximize returns and earnings without experiencing overall declines in value in excess of 3% over any 12-month period. We were able to achieve this objective in 2009. We were not able to achieve this objective in 2008 due to macroeconomic conditions beyond our control.

In order to consistently achieve the stated return objectives within our tolerance for risk, we use a strategy of allocating appropriate portions of our portfolio to a variety of asset classes with attractive risk and return characteristics, and low to moderate correlations of returns. See the notes to our consolidated financial statements for a breakdown of the assets held in our merchandise trusts and perpetual care trusts by asset class.

Debt Instruments

Our Acquisition Credit Facility and Revolving Credit Facility bear interest at a floating rate, based on LIBOR, which is adjusted quarterly. These credit facilities will subject us to increases in interest expense resulting from movements in interest rates. As of December 31, 2009, we had no outstanding borrowings under our Acquisition Credit Facility or our Revolving Credit Facility.

In the fourth quarter of 2009, we entered into two interest rate swaps wherein we swapped a fixed rate of interest for a floating rate of interest on $135 million of debt. These interest rate swaps will subject us to increases in interest expense resulting from movements in interest rates. We reduced total interest expense by approximately $0.2 million in the fourth quarter of 2009 as a result of these interest rate swaps.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of StoneMor Partners L.P. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, partners' capital, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of StoneMor Partners L.P. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2009, the Company adopted Accounting Standards Codification (ASC) 810-10-65-1 and retrospectively adjusted the accompanying consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
March 16, 2010

Table of Contents

StoneMor Partners L.P.

Consolidated Balance Sheets
(in thousands)

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 13,479	$ 7,068
Accounts receivable, net of allowance	37,113	33,090
Prepaid expenses	3,531	3,422
Other current assets	4,502	14,477
Total current assets	58,625	58,057
Long-term accounts receivable—net of allowance	48,015	42,309
Cemetery property	235,357	228,499
Property and equipment, net of accumulated depreciation	52,265	49,615
Merchandise trusts, restricted, at fair value	203,885	161,605
Perpetual care trusts, restricted, at fair value	196,295	152,797
Deferred financing costs—net of accumulated amortization	12,020	2,425
Deferred selling and obtaining costs	49,782	41,795
Deferred tax assets	451	138
Other assets	2,194	1,000
Total assets	$ 858,889	$ 738,240
Liabilities and partners' capital		
Current liabilities		
Accounts payable and accrued liabilities	$ 26,574	$ 25,702
Accrued interest	1,829	659
Current portion, long-term debt	378	80,478
Total current liabilities	28,781	106,839
Other long-term liabilities	2,912	1,837
Fair value of interest rate swap	2,681	—
Long-term debt	182,821	80,456
Deferred cemetery revenues, net	258,978	193,017
Deferred tax liabilities	5,290	7,928
Merchandise liability	65,883	75,977
Perpetual care trust corpus	196,295	152,797
Total liabilities	743,641	618,851
Partners' capital		
General partner	1,904	2,271
Limited partners:		
Common	113,344	111,052
Subordinated	—	6,066
Total partners' capital	115,248	119,389
Total liabilities and partners' capital	$ 858,889	$ 738,240

See Accompanying Notes to the Consolidated Financial Statements.

Table of Contents

StoneMor Partners L.P.

Consolidated Statement of Operations
(in thousands, except unit data)

	2009	2008	2007
Revenues:			
Cemetery			
Merchandise	$ 87,836	$ 90,968	$ 74,509
Services	36,947	36,894	28,547
Investment and other	33,055	31,623	31,476
Funeral home			
Merchandise	9,701	9,249	4,655
Services	13,665	14,714	6,127
Total revenues	181,203	183,448	145,314
Costs and Expenses:			
Cost of goods sold (exclusive of depreciation shown separately below):			
Perpetual care	4,727	4,326	3,553
Merchandise	17,120	18,556	16,118
Cemetery expense	41,246	41,651	30,767
Selling expense	34,123	34,806	29,245
General and administrative expense	22,498	21,372	15,684
Corporate overhead (including $1,576, $2,262 and $4,741 in unit-based compensation for 2009, 2008 and 2007 respectively)	22,370	21,293	24,991
Depreciation and amortization	6,390	5,029	3,891
Funeral home expense			
Merchandise	3,716	3,684	1,575
Services	9,275	9,073	4,198
Other	6,014	6,308	2,649
Acquisition related costs	2,292	—	—
Total cost and expenses	169,772	166,098	132,671
Operating profit	11,431	17,350	12,643
Gain on sale of funeral home	434	—	—
Gain on acquisitions	4,435	—	—
(Decrease) in fair value of interest rate swap	(2,681)	—	—
Expenses related to refinancing	2,242	—	157
Interest expense	14,409	12,714	9,075
Income (loss) before income taxes	(3,031)	4,636	3,411
Income taxes			
State	808	304	398
Federal	(2,762)	(224)	227
Total income taxes	(1,954)	80	625
Net income (loss)	$ (1,077)	$ 4,556	$ 2,786
General partner's interest in net income (loss) for the period	$ (22)	$ 91	$ 56
Limited partners' interest in net income (loss) for the period			
Common	$ (894)	$ 3,325	$ 1,512
Subordinated	$ (161)	$ 1,140	$ 1,218
Net income (loss) per limited partner unit (basic and diluted)	$ (.09)	$ .38	$ .30
Weighted average number of limited partners' units outstanding (basic and diluted)	12,034	11,809	9,107

See Accompanying Notes to the Consolidated Financial Statements.

StoneMor Partners L.P.

Consolidated Statement of Partners' Capital
(in thousands)

	Partners' Capital				
	Limited Partners			General	
	Common	Subordinated	Total	Partner	Total
Balance, January 1, 2007	$ 71,700	$ 28,206	$ 99,906	$1,382	$101,288
Proceeds from public offering	49,714	—	49,714	—	49,714
General partner contribution	—	—	—	1,074	1,074
Conversion of subordinated to common units	5,407	(5,407)	—	—	—
General partner equity grant	—	—	—	609	609
Net income	1,512	1,218	2,730	55	2,786
Cash distribution	(9,736)	(8,606)	(18,342)	(383)	(18,725)
Balance, December 31, 2007	118,597	15,411	134,009	2,737	136,746
Proceeds from units issued in acquisition	500	—	500	—	500
General partner contribution	—	—	—	86	86
Conversion of subordinated to common units	3,745	(3,745)	—	—	—
Acquisition unit price guarantee	(661)	—	(661)	—	(661)
Vesting of employee unit grant	3,822	—	3,822	—	3,822
Net income	3,325	1,140	4,465	91	4,556
Cash distribution	(18,277)	(6,738)	(25,015)	(643)	(25,658)
Balance, December 31, 2008	111,052	6,066	117,118	2,271	119,389
Proceeds from public offering	23,680	—	23,680	—	23,680
General partner contribution	—	—	—	509	509
Conversion of subordinated to common units	1,198	(1,198)	—	—	—
Net income (loss)	(894)	(161)	(1,055)	(22)	(1,077)
Cash distribution	(21,692)	(4,707)	(26,399)	(854)	(27,253)
Balance, December 31, 2009	$113,344	$ —	$113,344	$1,904	$115,248

See Accompanying Notes to the Consolidated Financial Statements.

StoneMor Partners L.P.

Consolidated Statement of Cash Flows
(in thousands)

	2009	2008	2007
Operating activities:			
Net income (loss)	$ (1,077)	$ 4,556	$ 2,786
Adjustments to reconcile net income to net cash provided by operating activity:			
Cost of lots sold	5,259	5,306	4,382
Depreciation and amortization	6,390	5,029	3,891
Unit-based compensation	1,576	2,262	4,741
Previously capitalized acquisition costs	1,365	—	—
Write down of deferred financing fees	2,242	—	—
Accretion of debt discount	34	—	—
Loss on fair value of interest rate swap	2,681		
Gain on sale of funeral home	(434)	—	—
Gain on acquisitions of cemetery properties	(4,350)	—	—
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	(9,452)	(6,678)	(2,430)
Allowance for doubtful accounts	103	513	10
Merchandise trust fund	(6,133)	(453)	(5,223)
Prepaid expenses	(109)	963	196
Other current assets	(239)	(900)	(1,053)
Other assets	(124)	(696)	159
Accounts payable and accrued and other liabilities	(125)	717	5,179
Deferred selling and obtaining costs	(7,987)	(5,959)	(2,162)
Deferred cemetery revenue	31,881	22,414	15,668
Deferred taxes (net)	(3,660)	(564)	—
Merchandise liability	(4,343)	(5,366)	(7,171)
Net cash provided by operating activities	13,498	21,144	18,973
Investing activities:			
Cost associated with potential acquisitions	—	(1,579)	(2,230)
Additions to cemetery property	(4,759)	(4,376)	(2,589)
Purchase of subsidiaries, net of common units issued	(4,100)	(5,621)	(78,907)
Divestiture of funeral home	434	—	—
Acquisition unit-price guarantee	—	(661)	—
Acquisitions of property and equipment	(2,524)	(4,809)	(3,051)
Net cash used in investing activities	(10,949)	(17,046)	(86,777)
Financing activities:			
Cash distribution	(27,253)	(25,658)	(18,724)
Additional borrowings on long-term debt	260,647	33,188	76,674
Repayments of long-term debt	(239,862)	(18,446)	(34,000)
Proceeds from public unit offering	23,680	—	49,714
Proceeds from general partner contribution	509	86	1,074
Cost of financing activities	(13,859)	—	(3,048)
Net cash provided by (used in) financing activities	3,862	(10,830)	71,690
Net increase (decrease) in cash and cash equivalents	6,411	(6,732)	3,886
Cash and cash equivalents—Beginning of period	7,068	13,800	9,914
Cash and cash equivalents—End of period	$ 13,479	$ 7,068	$ 13,800
Supplemental disclosure of cash flow information			
Cash paid during the period for interest	$ 13,239	$ 12,732	$ 8,526
Cash paid during the period for income taxes	$ 1,886	$ 4,820	$ 3,484
Non-cash investing and financing activities			
Acquisition of asset by assumption of directly related liability	$ 2,150	$ —	$ —
Issuance of limited partner units for cemetery acquisition	$ —	$ 500	$ —

See Accompanying Notes to the Consolidated Financial Statements.

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

Nature of Operations

StoneMor Partners L.P. ("StoneMor", the "Company" or the "Partnership") is a provider of funeral and cemetery products and services in the death care industry in the United States. Through its subsidiaries, StoneMor offers a complete range of funeral merchandise and services, along with cemetery property, merchandise and services, both at the time of need and on a pre-need basis. As of December 31, 2009, the Partnership owned 219 and operated 235 cemeteries in 24 states and Puerto Rico and owned and operated 58 funeral homes in 16 states and Puerto Rico.

Basis of Presentation

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

In the first quarter of 2009, the Company reviewed ASC 810-10-65-1, which relates to consolidations and determined that balances historically designated as "non-controlling interest in perpetual care trusts" in its condensed consolidated balance sheet did not meet the criteria for non-controlling interests. Accordingly, the Company reclassified the amount previously recorded as a commitment and contingency item "Non-controlling interests in perpetual care trusts" as a liability recorded as "Perpetual care trust corpus".

Pursuant to state law, a portion of the proceeds from the sale of cemetery property must be deposited into a perpetual care trust.

The perpetual care trust principal does not belong to the Company and must remain in the trust in perpetuity. The Company consolidates the trust into the Company's financial statements in accordance with ASC 810-10-15-(13 through 22) because the trust is considered a variable interest entity for which the Company is the primary beneficiary.

The fair value of trust assets is recorded as an asset on the Company's balance sheet. Prior to the adoption of ASC 810-10-65-1, this asset was offset by a commitment and contingency titled "Non-controlling interest in perpetual care trusts". In accordance with the provisions of ASC 810-10-65-1, the Company reclassified this amount as a liability on its balance sheet titled "Perpetual care trust corpus".

This change results in an increase in the Company's total liabilities of approximately $152.8 million as of December 31, 2008 offset by a decrease in commitments and contingencies of the same amounts for the same period end. There is no impact due to this change on:

- Partners' capital as of December 31, 2008;
- Net income for the years ended December 31, 2007, or 2008; or
- Cash flows for the years ended December 31, 2007, or 2008.

Principles of Consolidation

The consolidated financial statements include the accounts of each of the Company's subsidiaries. These statements also include the accounts of the merchandise and perpetual care trusts in which the Company has a variable interest and is the primary beneficiary. The operations of the 16 managed cemeteries that the Company operates under long-term management contracts are also consolidated in accordance with the provisions of ASC 810. Total revenues derived from the cemeteries under long-term management contracts totaled approximately $27.2 million, $27.7 million and $22.0 for the years ended December 31, 2009, 2008 and 2007 respectively.

Summary of Significant Accounting Policies

The significant accounting policies followed by the Company are summarized below:

Cash and Cash Equivalents

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

Cemetery Property

Cemetery property consists of developed and undeveloped cemetery property and constructed mausoleum crypts and lawn crypts and is valued at cost, which is not in excess of market value.

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 depreciation is recorded over their estimated useful lives as follows:

Buildings and improvements	10 to 40 years
Furniture and equipment	5 to 10 years
Leasehold improvements	over the term of the lease

Depreciation expense was $4.4 million, $4.1 million and $2.9 million for the years ended December 31, 2009, 2008 and 2007 respectively.

Merchandise Trusts

Pursuant to state law, a portion of the proceeds from pre-need sales of merchandise and services is put into trust (the “merchandise trust”) until such time that the Company meets the requirements for releasing trust principal, which is generally delivery of merchandise or performance of services. All investment earnings generated by the assets in the merchandise trusts (including realized gains and losses) are deferred until the associated merchandise is delivered or the services are performed. The fair value of the funds held in merchandise trusts at December 31, 2009 and 2008 was approximately $203.9 million and $161.6 million, respectively (see Note 5).

Perpetual Care Trusts

Pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. All principal must remain in this trust into perpetuity while interest and dividends may be released and used to defray cemetery maintenance costs, which are expensed as incurred. Earnings from the perpetual care trusts are recognized in current cemetery revenues. The fair value of funds held in perpetual care trusts at December 31, 2009 and 2008 was $196.3 million and $152.8 million, respectively (see Note 6).

Inventories

Inventories, classified as other current assets on the Company’s consolidated balance sheets, include cemetery and funeral home merchandise and are valued at the lower of cost or net realizable value. Cost is determined primarily on a specific identification basis on a first-in, first-out basis. Inventories were approximately $3.5 million and $3.4 million at December 31, 2009 and 2008, respectively.

Impairment of Long-Lived Assets

The Company monitors the recoverability of long-lived assets, including cemetery property, property and equipment and other assets, based on estimates using factors such as current market value, future asset utilization, business and regulatory climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to evaluate an asset for impairment when events or circumstances indicate that a long-lived asset's carrying value may not be recovered. An impairment charge is recorded to write-down the asset to its fair value if the sum of future undiscounted cash flows is less than the carrying value of the asset. No impairment charges were recorded during the years ended December 31, 2009, 2008 and 2007, respectively.

Deferred Cemetery Revenues, Net

In addition to amounts deferred on new contracts, and investment income and unrealized gains on our merchandise trust, deferred cemetery revenues, net, includes deferred revenues from pre-need sales that were entered into by entities prior to the acquisition of those entities by the Company, including entities that were acquired by Cornerstone Family Services, Inc. upon its formation in 1999. The Company provides for a reasonable profit margin for these deferred revenues (deferred margin) to account for the future costs of delivering products and providing services on pre-need contracts that the Company acquired through acquisition. Deferred margin amounts are deferred until the merchandise is delivered or services are performed.

Sales of Cemetery Merchandise and Services

The Company sells its merchandise and services on both a pre-need and at-need basis. Sales of at-need cemetery services and merchandise are recognized as revenue when the service is performed or merchandise is delivered.

Pre-need sales are usually made on an installment contract basis. Contracts are usually for a period not to exceed 60 months with payments of principal and interest required. For those contracts that do not bear a market rate of interest, the Company imputes such interest based upon the prime rate plus 150 basis points (this resulted in a rate of 4.75% for contracts entered into during the year ended December 31, 2009, 9.0% for contracts entered into during the year ended December 31, 2008 and 9.75%for contracts entered into during the year ended December 31, 2007) in order to segregate the principal and interest component of the total contract value.

At the time of a pre-need sale, the Company records an account receivable in an amount equal to the total contract value less any cash deposit paid net of an estimated allowance for customer cancellations. The revenue from both the sales and interest component is deferred. Interest revenue is recognized utilizing the effective interest method. Sales revenue is recognized in accordance with the rules discussed below.

The allowance for customer cancellations is established based on management's estimates of expected cancellations and historical experiences and is currently averaging approximately 10% of total contract values. Future cancellation rates may differ from this current estimate. Management will continue to evaluate cancellation rates and will make changes to the estimate should the need arise. Actual cancellations did not vary significantly from the estimates of expected cancellations at December 31, 2009 and December 31, 2008, respectively.

Revenue recognition related to sales of cemetery merchandise and services is governed by Securities and Exchange Commission Staff Accounting Bulletin No. 104, *Revenue Recognition in Financial Statements* ("SAB No. 104"), and the retail land sales provisions of ASC 976. Per this guidance, revenue from the sale of burial lots and constructed mausoleum crypts is deferred until such time that 10% of the sales price has been collected, at which time it is fully earned; revenues from the sale of unconstructed mausoleums are recognized using the percentage-of-completion method of accounting while revenues from merchandise and services are recognized

once such merchandise is delivered (title has transferred to the customer and the merchandise is either installed or stored, at the direction of the customer, at the vendor's warehouse or a third-party warehouse at no additional cost to us) or services are performed.

In order to appropriately match revenue and expenses, the Company defers certain pre-need cemetery and prearranged funeral direct obtaining costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral business. Such costs are accounted for under the provisions of ASC 944, and are expensed as revenues are recognized.

The Company records a merchandise liability equal to the estimated cost to provide services and purchase merchandise for all outstanding and unfulfilled pre-need contracts. The merchandise liability is established and recorded at the time of the sale but is not recognized as an expense until such time that the associated revenue for the underlying contract is also recognized. The merchandise liability is established based on actual costs incurred or an estimate of future costs, which may include a provision for inflation. The merchandise liability is reduced when services are performed or when payment for merchandise is made by the Company and title is transferred to the customer.

Sales of Funeral Home Services

Revenue from funeral home services is recognized as services are performed and merchandise is delivered.

Pursuant to state law, a portion of proceeds received from pre-need funeral service contracts is put into trust while amounts used to defray the initial administrative costs are not. All investment earnings generated by the assets in the trust (including realized gains and losses) are deferred until the associated merchandise is delivered or the services are performed. The balance of the amounts in these trusts is included within the merchandise trusts above.

Net Income per Unit

Basic net income per unit is determined by dividing net income, after deducting the amount of net income allocated to the general partner interest from its issuance date of September 20, 2004, by the weighted average number of units outstanding during the period. Diluted net income per unit is calculated in the same manner as basic net income per unit, except that the weighted average number of outstanding units is increased to include the dilutive effect of outstanding unit options or phantom unit options.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162* . This statement modifies the GAAP hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB ASC, also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission ("SEC"). The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. The Codification is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. This statement applies to financial statements beginning in the third quarter 2009. Accordingly, all accounting references contained herein have been updated to reflect the Codification and all SFAS references have been replaced with ASC references. In those cases when previous GAAP references related to specific paragraphs, we have referred specifically to that paragraph in the ASC reference. Broader references have been referenced to the most detailed level (topic, subtopic or section) applicable.

In June 2009, the FASB issued ASC Topic 810, Subtopic 10, Sections 30 and 65 (“ASC 810-10-30/65”), the purpose of which is to amend certain requirements of ASC Topic 810, Subtopic 10, Section 5, to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. Amongst other things, ASC 810-10-30/65 requires a change in the determination of which entity’s qualify as variable interest entities (“VIE’s”), changes in an entity that is involved in VIE’s method of determining whether they are the primary beneficiary of such VIE, and changes to disclosures required by all entities involved with VIE. ASC 810-10-30/65 is effective for each reporting period beginning after November 15, 2009. Early adoption is prohibited. The Company has reviewed the requirements of ASC 810-10-30/65 and determined that there will be no changes to its current determination of those entities with which it is involved as to their status of being VIE’s nor to its determination of the Company’s status with regards to its position as the primary beneficiary of such VIE’s. The Company has also determined that it will be required to modify their disclosures with regards to those VIE’s with which it is involved and will adopt such disclosure changes beginning in the first quarter of 2010.

In April of 2009, the FASB issued ASC 320, which relates to investments in both debt and equity securities. Section 10-65-1 of ASC 320 amended previous guidance related to the determination of whether impairments in debt securities were other-than-temporary, and provides guidance as to which other-than-temporary impairments should be reflected in the income statement and which other-than-temporary impairments should be reflected in other comprehensive income. ASC 320-10-65-1 also modifies the presentation and disclosures related to both debt and equity securities. ASC 320-10-65-1 is effective for interim periods ending after June 15, 2009, and the Company adopted it in the second quarter of 2009. The adoption of ASC 320-10-65-1 did not have a significant impact on the Company’s financial statements.

In April of 2009, the FASB issued ASC 825. Section 10-65-1of ASC 825 amends ASC 825 Section10-50-10 to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. ASC 825-10-65-1 is effective for interim periods ending after June 15, 2009 and the Company adopted it for second quarter of 2009. The adoption of ASC 825-10-65-1 did not have a significant impact on the Company’s financial statements.

In April of 2009, the FASB issued ASC 820, which relates to fair value measurements and disclosures. Section 10-65-4 of ASC 820 provides additional guidance in estimating fair value as required under ASC 820 Section 10-5-1 when the volume and level of transaction activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. ASC 820-10-65-4 also provides additional guidance on circumstances that may indicate a transaction is not orderly. ASC 820-10-65-4 is effective for interim periods ending after June 15, 2009, and the Company adopted it for the second quarter of 2009. The adoption of ASC 820-10-65-4 did not have a significant impact on the Company’s financial statements.

In December 2007, the FASB issued ASC 805, which relates to the accounting for business combinations. ASC 805 requires that acquirers in a business combination identify and record at fair value all of the assets and liabilities acquired as well as any non-controlling interest resulting from such business combination. Goodwill will be recognized when the fair value of consideration paid or transferred to the acquiree plus the fair value of any non-controlling interest exceeds the fair value of identified assets acquired less the fair value of liabilities assumed. A gain from a bargain purchase will be recognized when the fair value of consideration paid or transferred to the acquiree plus the fair value of any non-controlling interest is less than the fair value of identified assets acquired less the fair value of liabilities assumed. Gains from bargain purchases will be recognized in earnings in the period in which the acquisition occurs. ASC 805 also requires that costs incurred in a business transaction be recorded as an expense as opposed to part of the cost of the acquisition. ASC 805 provides the Company three options with regards to accumulated costs incurred and currently capitalized for acquisitions that had not as of yet been finalized prior to the adoption of ASC 805:

- Immediately expense such costs;

- Continue to carry such costs as an asset and immediately expense such costs upon the adoption of ASC 805; or
- Account for the change as a change in accounting principle and restate prior year financial statements to reflect these costs as expenses in the period in which they occurred.

The Company adopted ASC 805 on January 1, 2009. At December 31, 2008, there was approximately $1.4 million in accumulated acquisition costs that had been capitalized and were included in “Other current assets” on the Company’s balance sheet. These costs were expensed in the first quarter of 2009 and are included on the Company’s income statement as part of “Acquisition related costs”.

In December 2007, the FASB issued ASC 810 which amongst other things, provides guidance for the accounting and reporting of non-controlling interests. Section 10-65-1 of ASC 810 states that accounting and reporting for minority interests will be recharacterized as non-controlling interests and classified as a component of equity. ASC 810-10-65-1applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. The Company adopted this guidance effective January 1, 2009. This adoption caused the Company to reclassify amounts previously shown as “Non-controlling interests in perpetual care trusts” to “Perpetual care trust corpus” and to include this amount in total liabilities rather than as a “Commitment and contingency.” The adoption of this standard had no effect on the Company’s partners capital, results of operations or liquidity.

In February 2008, the FASB issued ASC 260, which relates to earnings per share. Amongst other guidance, Section 10-5 of ASC 260 addresses earnings per share for master limited partnerships and states that a master limited partnership that contains incentive distribution rights (“IDR’s”) should classify said IDR’s as a separate class of units for which a separate earnings per unit calculation should be made. The Company adopted ASC 260-10-5 in the first quarter of 2009. The adoption of ASC 260-10-5 had no impact on the calculation of earnings per share as allocated to common unit holders.

In December 2008, the FASB issued ASC 810, which amongst other things relates to disclosure requirements for consolidations. Section 10-50 of ASC 810 requires public enterprises, including sponsors that have a variable interest in a variable interest entity, to provide additional disclosures about their involvement with variable interest entities. The Company adopted this guidance effective December 31, 2008. This adoption had no effect on the Company’s financial statements.

In December 2008, the FASB issued ASC 820, which amongst other things relates to the subsequent measurement of financial instruments. Section 10-35 of ASC 820 provides clarification for measuring fair value in a market that is not active. ASC 820-10-35 was effective upon issuance, including prior periods for which financial statements had not been issued. The Company’s adoption of ASC 820-10-35 for the year ended December 31, 2008 had no effect on its financial statements.

Use of Estimates

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

Table of Contents

2. LONG-TERM ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

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

	As of December 31,	
	2009	2008
	(in thousands)	
Customer receivables	$112,995	$102,145
Unearned finance income	(14,002)	(12,983)
Allowance for contract cancellations	(13,865)	(13,763)
	85,128	75,399
Less: current portion—net of allowance	37,113	33,090
Long-term portion—net of allowance	$ 48,015	$ 42,309

Activity in the allowance for contract cancellations is as follows:

	For the Year Ended December 31,		
	2009	2008	2007
		(in thousands)	
Balance—Beginning of period	$ 13,763	$ 11,540	$ 12,243
Reserve on acquired contracts	—	1,884	115
Provision for cancellations	13,201	12,888	10,493
Charge-offs—net	(13,099)	(12,549)	(11,311)
Balance—End of period	$ 13,865	$ 13,763	$ 11,540

3. Cemetery Property

Cemetery property consists of the following:

	As of December 31,	
	2009	2008
	(in thousands)	
Developed land	$ 26,099	$ 26,558
Undeveloped land	161,802	156,467
Mausoleum crypts and lawn crypts	47,456	45,474
Total	$ 235,357	$ 228,499

4. Property and Equipment

Major classes of property and equipment follow:

	As of December 31,	
	2009	2008
	(in thousands)	
Building and improvements	$ 46,376	$ 44,801
Furniture and equipment	34,151	29,210
	80,527	74,011
Less: accumulated depreciation	(28,262)	(24,396)
Property and equipment—net	$ 52,265	$ 49,615

5. MERCHANDISE TRUSTS

At December 31, 2009 and December 31, 2008, the Company's merchandise trust consisted of the following types of assets:

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

All of these investments are classified as Available for Sale as defined by ASC 320-10-25-1. Accordingly, all of the assets are carried at fair value. All of these investments are considered to be either Level 1 or Level 2 assets as defined by ASC 820-10-35-(39 through 51H). At December 31, 2009, approximately 88.7% of these assets were Level 1 investments while approximately 11.3% were Level 2 assets. At December 31, 2008, approximately 84.6% of these assets were Level 1 investments while approximately 15.4% were Level 2 assets.

Table of Contents

The cost and market value associated with the assets held in the merchandise trust at December 31, 2009 and December 31, 2008 is presented below:

As of December 31, 2009	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market
		(in thousands)		
Short-term investments	$ 47,451	$ —	$ —	$ 47,451
Fixed maturities:				
U.S. Government and federal agency	—	—	—	—
U.S. State and local government agency	33	—	(10)	23
Corporate debt securities	3,204	90	(48)	3,246
Other debt securities	10,393	448	—	10,841
Total fixed maturities	13,630	538	(58)	14,110
Mutual funds—debt securities	39,545	8	(840)	38,713
Mutual funds—equity securities	93,472	—	(23,034)	70,438
Equity securities	34,818	1,249	(4,304)	31,763
Other invested assets	1,385	26	—	1,411
Total	$230,301	$ 1,821	$(28,236)	$203,885

As of December 31, 2008	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market
		(in thousands)		
Short-term investments	$ 26,911	$ —	$ —	$ 26,911
Fixed maturities:				
U.S. Government and federal agency	5,554	90	(15)	5,629
U.S. State and local government agency	4,477	40	(44)	4,473
Corporate debt securities	3,593	50	(490)	3,153
Other debt securities	10,655	—	—	10,655
Total fixed maturities	24,279	180	(549)	23,910
Mutual funds—debt securities	38,260	—	(9,913)	28,347
Mutual funds—equity securities	96,176	—	(42,959)	53,217
Equity securities	43,881	—	(14,661)	29,220
Total	$229,507	$ 180	$(68,082)	$161,605

Table of Contents

The contractual maturities of debt securities as of December 31, 2009 and December 31, 2008 are presented below:

As of December 31, 2009	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
	(in thousands)			
U.S. Government and federal agency	$ —	$ —	$ —	$ —
U.S. State and local government agency	23	—	—	—
Corporate debt securities	—	1,408	1,683	155
Other debt securities	10,841	—	—	—
Total fixed maturities	$10,864	$ 1,408	$ 1,683	$ 155

As of December 31, 2008	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
	(in thousands)			
U.S. Government and federal agency	$ 242	$ 4,969	$ 418	$ —
U.S. State and local government agency	1,105	1,496	1,270	602
Corporate debt securities	73	1,554	1,408	118
Other debt securities	10,655	—	—	—
Total fixed maturities	$12,075	$ 8,019	$ 3,096	$ 720

An aging of unrealized losses on the Company's investments in fixed maturities and equity securities at December 31, 2009 and December 31, 2008 is presented below:

At December 31, 2009:

	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	$ —	$ —	$ —	$ —	$ —	$ —
U.S. State and local government agency	23	10	—	—	23	10
Corporate debt securities	1,554	18	263	30	1,817	48
Other debt securities	—	—	—	—	—	—
Total fixed maturities	1,577	28	263	30	1,840	58
Mutual funds—debt securities	9,456	118	15,086	722	24,542	840
Mutual funds—equity securities	—	—	70,439	23,034	70,439	23,034
Equity securities	2,307	191	25,686	4,113	27,993	4,304
Total	$ 13,340	$ 337	$111,474	$ 27,899	$124,814	$ 28,236

At December 31, 2008:

	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	$ 922	$ 15	$ 77	$ —	$ 999	$ 15
U.S. State and local government agency	1,679	22	809	22	2,488	44
Corporate debt securities	1,162	241	1,069	249	2,231	490
Other debt securities	—	—	—	—	—	—
Total fixed maturities	3,763	278	1,955	271	5,718	549
Mutual funds—debt securities	7,196	583	21,151	9,330	28,347	9,913
Mutual funds—equity securities	14,136	15,397	39,081	27,562	53,217	42,959
Equity securities	9,974	5,606	18,552	9,055	28,526	14,661
Total	$35,069	$ 21,864	$80,739	$ 46,218	$115,808	$ 68,082

A reconciliation of the Company's merchandise trust activities for the years ended December 31, 2009 and December 31, 2008 is presented below:

Year ended December 31, 2009

Market Value @ 12/31/2008	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss (a)	Taxes	Fees	Unrealized Change in Market Value	Change in Accrued Income	Market Value @ 12/31/2009
	(in thousands)									
$161,605	$ 56,757	$ (58,398)	$ 8,940	$ 367	$(4,736)	$(624)	$(946)	$ 41,487	$ (567)	$203,885
$161,605	$ 56,757	$ (58,398)	$ 8,940	$ 367	$(4,736)	$(624)	$(946)	$ 41,487	$ (567)	$203,885

Year ended December 31, 2008

Market Value @ 12/31/2007	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss (a)	Taxes	Fees	Unrealized Change in Market Value	Change in Accrued Income	Market Value @ 12/31/2008
	(in thousands)									
$228,615	$ 52,340	$ (64,026)	$10,845	$ 641	$(5,981)	$(1,257)	$(1,173)	$ (58,890)	$ 491	$161,605
$228,615	$ 52,340	$ (64,026)	$10,845	$ 641	$(5,981)	$(1,257)	$(1,173)	$ (58,890)	$ 491	$161,605

(a) Includes $6,758 and $4,260 in losses for other-than-temporarily impaired assets in 2009 and 2008 respectively.

The Company made net withdrawals out of the trusts of approximately $1.6 million and $11.7 million during the years ended December 31, 2009 and 2008 respectively. During the year ended December 31, 2009, purchases and sales of securities available for sale included in trust investments were approximately $261.0 million and $255.2 million, respectively. During the year ended December 31, 2008, purchases and sales of securities available for sale included in trust investments were approximately $303.5 million and $229.1 million, respectively.

Other-Than-Temporary Impairment of Trust Assets

In the second quarter of 2009, the Company adopted Section 10-65-1 of ASC 320.

ASC 320-10-65-1 amended the other-than-temporary impairment guidance for debt securities. ASC 320-10-65-1 also changed the disclosure requirements for other-than-temporary impairments on both debt and equity securities.

The fundamental accounting changes resulting from the issuance of ASC 320-10-65-1 are as follows:

Prior to the issuance of ASC 320-10-65-1, entity's were required to assert that they had the intent and ability to hold debt securities for a period of time sufficient to allow for any anticipated recovery in fair value in order to conclude that an impairment was not other than temporary. ASC 320-10-65-1 amended this requirement so that entity's now must:

- Assess whether it has the intent to sell the debt security or;
- Assess whether it is more likely than not it will be required to sell the debt security before its anticipated recovery

If either of these conditions exists, the impairment is considered to be other than temporary. An other-than-temporary impairment in an amount equal to the difference between the fair value and amortized cost shall be recognized in earnings.

In situations wherein an entity:

- Does not have an intent to sell an impaired debt security;
- Determines that it is not more likely than not it will be required to sell an impaired debt security before its anticipated recovery;

ASC 320-10-65-1 requires that an entity determine whether or not there is a "credit loss" on the security.

A credit loss is the excess of the amortized cost of the security over the present value of future expected cash flows. If there is a credit loss, an entity must recognize an other-than-temporary impairment in earnings in an amount equal to the credit loss. This amount becomes the new cost basis of the asset and will not be adjusted for subsequent changes in the fair value of the asset.

There is likely to be a difference between this new cost basis and the current fair value of the security. If such fair value is less than the adjusted cost basis, an entity shall determine whether this loss is other-than-temporary or a normal unrealized loss. Normal unrealized losses shall be accounted for as they currently are. Any additional other-than-temporary impairment shall be recognized through other comprehensive income. The Company defers this amount and includes it in Deferred cemetery revenue, net.

After the recognition of a credit loss, an entity shall continue to evaluate the difference between the new cost basis and expected future cash flows. For debt securities for which other-than-temporary impairments were recognized in earnings, the difference between the new amortized cost basis and the cash flows expected to be collected shall be accreted in accordance with existing guidance as interest income. If upon subsequent evaluation, there is a significant increase in the cash flows expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, such changes shall be accounted for as a prospective adjustment to the accretable yield

In addition to the aforementioned accounting changes, ASC 320-10-65-1 requires the following changes to disclosures relating to an entity's entire investment portfolio:

- Certain disclosures that were only required on an annual basis are now required for interim periods as well.
- For periods in which an other-than-temporary impairment of a debt security is recognized and only the amount related to a credit loss was recognized in earnings, an entity shall disclose, by major security type, the methodology and significant inputs used to measure the amount related to the credit loss.

- For each interim and annual reporting period presented, an entity shall disclose a tabular rollforward of the amount related to credit losses recognized in earnings. This will include at a minimum:
  1. The beginning balance of the amount related to credit losses on debt securities held by the entity at the beginning of the period for which a portion of an other-than-temporary impairment was recognized in other comprehensive income.
  2. Additions for the amount related to the credit loss for which an other-than-temporary impairment was not previously recognized.
  3. Reductions for securities sold during the period (realized).
  4. Reductions for securities for which the amount previously recognized in other comprehensive income was recognized in earnings because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis.
  5. Additional increases to the amount related to the credit loss for which an other-than temporary impairment was previously recognized when the entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis.
  6. Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security.
  7. The ending balance of the amount related to credit losses on debt securities held by the entity at the end of the period for which a portion of an other-than-temporary impairment was recognized in other comprehensive income.
  8. The Company has applied the applicable guidance related to other-than-temporary impairments throughout the reporting period. In addition to the relative guidance stated above, the Company performs each of the following procedures:

Fixed Maturity Debt Securities

- The Company assesses the overall credit quality of each issue by evaluating its credit rating as reported by any credit rating agency. The Company also determines if there has been any downgrade in its creditworthiness as reported by such credit rating agency.
- The Company determines if there has been any suspension of interest payments or any announcements of any intention to do so.
- The Company evaluates the length of time until the principal becomes due and whether the ability to satisfy this payment has been impaired.

Equity Securities

- The Company compares the proportional decline in value to the overall sector decline as measured via certain specific indices.
- The Company determines whether there has been further periodic decline from prior periods or whether there has been a recovery in value.

For all securities

- The Company evaluates the length of time that a security has been in a loss position.
- The Company determines if there is any publicly available information that would cause us to believe that impairment is other than temporary in nature.

During the year ended December 31, 2009, the Company determined that there was a single other than temporary impairment to the fixed maturity investment portfolio in the Merchandise Trust due to a credit loss. The total credit loss on this instrument was less than $0.1 million. There were no other than temporary impairments to the fixed maturity investment portfolio due to non-credit losses.

During the year ended December 31, 2009, the Company determined that there were two securities, with an aggregate cost basis of approximately $15.2 million, an aggregate fair value of approximately $7.7 million and a resulting impairment of value of approximately $7.4 million, wherein such impairments are considered to be other-than-temporary. Accordingly, the Company has adjusted the cost basis of these assets to their current values and offset this change against deferred revenue. This reduction in deferred revenue will be reflected in earnings in future periods as the underlying merchandise is delivered or the underlying service is performed.

During the year ended December 31, 2008 , the Company determined that there were 31 securities in the merchandise trust, with an aggregate cost of approximately $6.1 million, an aggregate market value of approximately $1.8 million, and a resulting aggregate impairment in value of approximately $4.3 million, wherein such impairment was other-than-temporary at December 31, 2008. Accordingly, the Company adjusted the cost basis of each of these assets to their current value and offset this change against deferred revenue. This reduction in deferred revenue will be reflected in earnings in future periods as the underlying merchandise is delivered or the underlying service is performed.

6. PERPETUAL CARE TRUSTS.

At December 31, 2009 and December 31, 2008, the Company’s perpetual care trust consisted of the following types of assets:

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

All of these investments are classified as Available for Sale as defined by ASC 320-10-25-1. Accordingly, all of the assets are carried at fair value. All of these investments are considered to be either Level 1 or Level 2 assets as defined by ASC 820-10-35-(39 through 51H). At December 31, 2009, approximately 81.1% of these assets were Level 1 investments while approximately 18.9% were Level 2 assets. At December 31, 2008, approximately 77.4% of these assets were Level 1 investments while approximately 22.6% were Level 2 assets.

The cost and market value associated with the assets held in perpetual care trusts at December 31, 2009 and December 31, 2008 were as follows:

As of December 31, 2009	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market
		(in thousands)		
Short-term investments	$ 46,615	$ —	$ —	$ 46,615
Fixed maturities:				
U.S. Government and federal agency	4,747	66	(48)	4,765
U.S. State and local government agency	1,497	14	(74)	1,437
Corporate debt securities	13,722	369	(199)	13,892
Other debt securities	4,841	8	—	4,849
Total fixed maturities	24,807	457	(321)	24,943
Mutual funds—debt securities	36,774	24	(465)	36,333
Mutual funds—equity securities	74,831	1	(22,275)	52,557
Equity Securities	33,514	3,385	(1,486)	35,413
Other invested assets	434	2	—	436
Total	$216,974	$ 3,868	$(24,547)	$196,295

As of December 31, 2008	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market
		(in thousands)		
Short-term investments	$ 21,236	$ —	$ —	$ 21,236
Fixed maturities:				
U.S. Government and federal agency	9,993	236	(10)	10,219
U.S. State and local government agency	8,462	87	(72)	8,477
Corporate debt securities	13,104	141	(2,024)	11,221
Other debt securities	572	—	—	572
Total fixed maturities	32,131	464	(2,106)	30,489
Mutual funds—debt securities	56,836	175	(19,113)	37,898
Mutual funds—equity securities	74,084	—	(34,042)	40,042
Equity Securities	31,926	—	(8,794)	23,132
Total	$216,213	$ 639	$(64,055)	$152,797

The contractual maturities of debt securities as of December 31, 2009 and December 31, 2008 are as follows:

As of December 31, 2009	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
		(in thousands)		
U.S. Government and federal agency	$ 806	$ 3,230	$ 438	$ 291
U.S. State and local government agency	560	296	520	61
Corporate debt securities	—	6,166	7,104	622
Other debt securities	4,849	—	—	—
Total fixed maturities	$ 6,215	$ 9,692	$ 8,062	$ 974

As of December 31, 2008	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
	(in thousands)			
U.S. Government and federal agency	$ 449	$ 9,743	$ 27	$ —
U.S. State and local government agency	1,860	3,424	1,987	1,206
Corporate debt securities	268	4,773	5,527	653
Other debt securities	572	—	—	—
Total fixed maturities	$ 3,149	$ 17,940	$ 7,541	$ 1,859

An aging of unrealized losses on the Company's investments in fixed maturities and equity securities at December 31, 2009 and December 31, 2008 held in perpetual care trusts is presented below:

At December 31, 2009

	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	$ 1,708	$ 42	$ 188	$ 6	$ 1,896	$ 48
U.S. State and local government agency	655	74	—	—	655	74
Corporate debt securities	6,796	76	1,246	123	8,042	199
Other debt securities	—	—	—	—	—	—
Total fixed maturities	9,159	192	1,434	129	10,593	321
Mutual funds—debt securities	1,969	347	900	118	2,869	465
Mutual funds—equity securities	—	—	47,299	22,275	47,299	22,275
Equity securities	1,317	107	18,397	1,379	19,714	1,486
Total	$12,445	$ 646	$68,030	$ 23,901	$80,475	$ 24,547

At December 31, 2008

	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	$ 346	$ 25	$ 165	$ 1	$ 511	$ 26
U.S. State and local government agency	3,529	42	547	14	4,076	56
Corporate debt securities	4,568	945	4,446	1,079	9,014	2,024
Other debt securities	—	—	—	—	—	—
Total fixed maturities	8,443	1,012	5,158	1,094	13,601	2,106
Mutual funds—debt securities	1,040	50	34,169	19,063	35,209	19,113
Mutual funds—equity securities	2,055	3,012	37,987	31,030	40,042	34,042
Equity securities	3,887	1,795	18,812	6,999	22,699	8,794
Total	$15,425	$ 5,869	$96,126	$ 58,186	$111,551	$ 64,055

A reconciliation of the Company's perpetual care trust activities for the years ended December 31, 2009 and 2008 is presented below:

Year ended December 31, 2009

Market Value @ 12/31/2008	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss (a)	Taxes	Fees	Unrealized Change in Market Value	Change in Accrued Income	Market Value @ 12/31/2009
				(in thousands)						
$ 152,797	$ 45,704	$ (42,747)	$13,470	$ 381	$(14,260)	$(244)	$(896)	$ 42,737	$ (647)	$196,295

Year ended December 31, 2008

Market Value @ 12/31/2007	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss (a)	Taxes	Fees	Unrealized Change in Market Value	Change in Accrued Income	Market Value @ 12/31/2008
				(in thousands)						
$ 208,579	$ 23,212	$ (31,298)	$14,809	$ (81)	$(6,857)	$(716)	$(971)	$(54,250)	$ 370	$152,797

(a) Includes $15,279 and $4,757 in losses for other-than-temporarily impaired assets in the year ended December 31, 2009 and 2008 respectively.

The Company made net deposits (withdrawals) into (out of) the trusts of approximately $3.0 million and ($8.1) million during the years ended December 31, 2009 and 2008 respectively. During the year ended December 31, 2009 purchases and sales of securities available for sale included in trust investments were approximately $218.0 million and $207.9 million, respectively. During the year ended December 31, 2008, purchases and sales of securities available for sale included in trust investments were approximately $190.8 million and $140.2 million, respectively.

The Company recorded income (losses) from perpetual care trusts of (2.3), $6.6 million and $8.0 million for the years ended December 31, 2009, 2008 and 2007 respectively. These amounts included realized losses due to other-than temporary impairments of $15.2 million and $4.8 million during the years ended December 31, 2009 and 2008 respectively.

Other-Than-Temporary Impairment of Trust Assets

Refer to Note 5 for a detailed discussion of the 2009 changes to the accounting rules related to other-than-temporarily impaired assets and the Company's procedures for evaluating whether impairment to assets are other than temporary.

During the year ended December 31, 2009, the Company determined that there were two other-than-temporary impairments to the fixed maturity investment portfolio in the Perpetual Care Trust due to credit losses. The total credit loss on these instruments was less than $0.2 million. There were no other than temporary impairments to the fixed maturity investment portfolio due to non-credit losses.

During the year ended December 31, 2009, the Company determined that there was a single security, with a cost basis of approximately $32.1 million, a fair value of approximately $16.5 million and a resulting impairment of value of approximately $15.6 million, wherein such impairment is considered to be other-than-temporary. Accordingly, the Company has adjusted the cost basis of this asset to its current value.

During the year ended December 31, 2008 , the Company determined that there were 20 securities in the perpetual care trust, with an aggregate cost of approximately $7.0 million, an aggregate market value of approximately $2.2 million, and a resulting aggregate impairment in value of approximately $4.8 million, wherein such impairment is considered to be other-than-temporary. Accordingly, the Company adjusted the cost basis of each of these assets to their current value.

As the fair value of assets in the perpetual care trust are offset against a liability ("Perpetual care trust corpus"), other-than-temporary impairments and changes therein to the perpetual care trust do not result in any changes to either net income or to total partner's capital.

7. DERIVATIVE INSTRUMENTS

On November 24, 2009, the Company entered into an interest rate swap (the "First Interest Rate Swap") wherein the Company agreed to pay the counterparty interest in the amount of three month LIBOR plus 888 basis points in consideration for the counterparties agreement to pay the Company a fixed rate of interest of 10.25% on a principal amount of $108 million. Settlements are to be made net on a quarterly basis in February, May, August and November of each year. The First Interest Rate Swap expires on December 1st, 2012.

On December 4, 2009, the Company entered into an interest rate swap (the "Second Interest Rate Swap", together with the First Interest Rate Swap, the "Interest Rate Swaps") wherein the Company agreed to pay the counterparty interest in the amount of three month LIBOR plus 869 basis points in consideration for the counterparties agreement to pay the Company a fixed rate of interest of 10.25% on a principal amount of $27 million. Settlements are to be made net on a quarterly basis in February, May, August and November of each year. The Second Interest Rate Swap expires on December 1, 2012.

The Interest Rate Swaps do not qualify for hedge accounting. Accordingly, the fair value of the Interest Rate Swaps shall be reported on the Company's balance sheet and periodic changes in the fair value of the Interest Rate Swaps shall be recorded in earnings. At December 31, 2009, the Company recorded a liability (the "Fair value of interest rate swaps") of approximately $2.7 million, which represents the fair value of the Interest Rate Swaps at December 31, 2009. The Company recognized a loss on the fair value of Interest Rate Swaps ("Loss on fair value of interest rate swaps") of approximately $2.7 million during the year ended December 31, 2009.

The Company entered into the Interest Rate Swaps in an effort to manage their total interest expense. The Interest Rate Swaps reduced fourth quarter 2009 interest expense by approximately $0.2 million.

The Interest Rate Swaps do not contain any credit risk contingent features. No collateral is required to be posted by either counterparty.

8. LONG-TERM DEBT

The Company had the following outstanding debt at:

	As of December 31,	
	2009	2008
	(in thousands)	
Insurance premium financing	$ 190	$ 432
Vehicle Financing	547	80
Acquisition Credit Facility, due September 2012	—	17,622
Revolving Credit Facility, due September 2012	—	10,300
Note payable—Greenlawn Acquisition due 2012	1,400	
10.25% senior notes, due 2017	150,000	—
Series A senior secured notes, due 2009	—	80,000
Series B senior secured notes, due 2012	17,500	35,000
Series C senior secured notes, due 2012	17,500	17,500
Total	187,137	160,934
Less current portion	378	80,478
Less unamortized bond discount	3,938	—
Long-term portion	$182,821	$ 80,456

10.25% Senior Notes due 2017

Purchase Agreement

On November 18, 2009, the Company entered into a Purchase Agreement (the "Purchase Agreement") by and among StoneMor Operating LLC (the "Operating Company"), Cornerstone Family Services of West Virginia Subsidiary, Inc. ("CFS West Virginia"), Osiris Holding of Maryland Subsidiary, Inc. ("Osiris"), the Partnership, the subsidiary guarantors named in the Purchase Agreement (together with the Company, the "Note Guarantors") and Banc of America Securities LLC ("BAS"), acting on behalf of itself and as the representative for the other initial purchasers named in the Purchase Agreement (collectively, the "Initial Purchasers"). Pursuant to the Purchase Agreement, the Operating Company, CFS West Virginia and Osiris (collectively, the "Issuers"), each the Company's wholly-owned subsidiary, as joint and several obligors, agreed to sell to the Initial Purchasers $150.0 million aggregate principal amount of 10.25% Senior Notes due 2017 (the "Senior Notes"), with an original issue discount of approximately $4.0 million, in a private placement exempt from the registration requirements under the Securities Act, for resale by the Initial Purchasers (i) to qualified institutional buyers pursuant to Rule 144A under the Securities Act or (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act (the "Notes Offering"). The Notes Offering closed on November 24, 2009.

The Purchase Agreement contains customary representations and warranties of the parties and indemnification and contribution provisions under which the Company, the Issuers, and other Note Guarantors, on one hand, and the Initial Purchasers, on the other, have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act. The Issuers, the Company and the other Note Guarantors also agreed to enter into a Registration Rights Agreement (described below) for the benefit of holders of the Senior Notes.

The net proceeds from the Notes Offering and Units Offering were used, in part, to:

- repay approximately $30.7 million of borrowings under the Revolving Facility (as defined below);
- repay approximately $104.7 million of borrowings under the Acquisition Credit Facility (as defined below); and
- redeem $17.5 million of outstanding 11.00% Series B Senior Secured Notes due 2012 (the "Series B Notes").

Indenture

On November 24, 2009, the Issuers, us and the other Note Guarantors entered into an indenture (the "Indenture"), among the Issuers, the Company, the other Note Guarantors and Wilmington Trust FSB, as trustee (the "Trustee") governing the Senior Notes.

The Issuers will pay 10.25% interest per annum on the principal amount of the Senior Notes, payable in cash semi-annually in arrears on June 1 and December 1 of each year, starting on June 1, 2010. The Senior Notes mature on December 1, 2017.

The Senior Notes are senior unsecured obligations of the Issuers and:

- rank equally in right of payment with all existing and future senior unsecured debt of the Issuers;
- rank senior in right of payment to all existing and future senior subordinated and subordinated debt of the Issuers;
- are effectively subordinated in right of payment to existing and future secured debt of the Issuers, to the extent of the value of the assets securing such debt; and
- are structurally subordinated to all of the existing and future liabilities of each subsidiary of the Issuers that does not guarantee the Senior Notes.

The Issuers' obligations under the Senior Notes and the Indenture are jointly and severally guaranteed (the "Note Guarantees") by the Company and each subsidiary, other than the Issuers, that is a guarantor of any indebtedness under the Credit Agreement (as defined below), or is a borrower under the Credit Agreement and each other subsidiary that the Issuers shall otherwise cause to become a Note Guarantor pursuant to the terms of the Indenture (each, a "Restricted Subsidiary").

At any time on or after December 1, 2013, the Issuers, at their option, may redeem the Senior Notes, in whole or in part, at the redemption prices (expressed as percentages of the principal amount) set forth below, together with accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period beginning December 1 of the years indicated:

Year	Optional Redemption Price
2013	105.125%
2014	102.563%
2015 and thereafter	100%

At any time prior to December 1, 2013, the Issuers may, on one or more occasions, redeem all or any portion of the Senior Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus the Applicable Premium (as defined in the Indenture) as of the date of redemption, including accrued and unpaid interest to the redemption date.

In addition, at any time prior to December 1, 2012, the Issuers, at their option, may redeem up to 35% of the aggregate principal amount of the Senior Notes issued under the Indenture with the net cash proceeds of certain of the equity offerings of the Company described in the Indenture at a redemption price equal to 110.250% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest to the redemption date provided, however, that (i) at least 65% of the aggregate principal amount of the Senior Notes issued under the Indenture remain outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 90 days of the closing date of such offering.

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

The Indenture requires the Company, the Issuers and/or the Note Guarantors, as applicable, to comply with various covenants including, but not limited to, covenants that, subject to certain exceptions, limit the Company's and its subsidiaries' ability to (i) incur additional indebtedness; (ii) make certain dividends, distributions, redemptions or investments; (iii) enter into certain transactions with affiliates; (iv) create, incur, assume or permit to exist certain liens against their assets; (v) make certain sales of their assets; and (vi) engage in certain mergers, consolidations or sales of all or substantially all of their assets. The Indenture also contains various affirmative covenants regarding, among other things, delivery of certain reports filed with the SEC and materials required pursuant to Rule 144A under the Securities Act to holders of the Senior Notes and joinder of future subsidiaries as Note Guarantors under the Indenture. The Company was in compliance with all covenants at December 31, 2009.

Events of default under the Indenture that could, subject to certain conditions, cause all amounts owing under the Senior Notes to become immediately due and payable include, but are not limited to, the following:

1. failure by the Issuers to pay interest on any of the Senior Notes when it becomes due and the continuance of any such failure for 30 days;
2. failure by the Issuers to pay the principal on any of the Senior Notes when it becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise;
3. the Issuers' failure to comply with the agreements and covenants relating to limitations on entering into certain mergers, consolidations or sales of all or substantially all of their assets or in respect of their obligations to purchase the Senior Notes in connection with a Change of Control;
4. failure by the Company or the Issuers to comply with any other agreement or covenant in the Indenture and the continuance of this failure for 60 days after notice of the failure has been given the Company by the Trustee or holders of at least 25% of the aggregate principal amount of the Senior Notes then outstanding;
5. failure by the Company to comply with its covenant to deliver certain reports and the continuance of such failure to comply for a period of 120 days after written notice thereof has been given to the Company by the Trustee or by the holders of at least 25% in aggregate principal amount of the Senior Notes then outstanding;
6. certain defaults under mortgages, indentures or other instruments or agreements under which there may be issued or by which there may be secured or evidenced indebtedness of the Company or any Restricted Subsidiary, whether such indebtedness now exists or is incurred after the date of the Indenture;
7. certain judgments or orders that exceed $7.5 million for the payment of money have been entered by a court of competent jurisdiction against the Company or any Restricted Subsidiary and such judgments have not been satisfied, stayed, annulled or rescinded within 60 days of being entered;
8. certain events of bankruptcy of the Company, StoneMor GP LLC, the general partner of the Company (the "General Partner"), or any Restricted Subsidiary; or
9. other than in accordance with the terms of the Note Guarantee and the Indenture, any Note Guarantee ceasing to be in full force and effect, being declared null and void and unenforceable, found to be invalid or any Guarantor denying its liability under its Note Guarantee.

Registration Rights Agreement

In connection with the sale of the Senior Notes, on November 24, 2009, the Issuers, the Company, the other Note Guarantors and BAS, as representative of the Initial Purchasers, entered into a Registration Rights Agreement (the "Registration Rights Agreement"), pursuant to which the Issuers, the Company and the other Note Guarantors agreed, for the benefit of the holders of the Senior Notes, to use their commercially reasonable

efforts to file a registration statement with the SEC with respect to a registered offer to exchange the Senior Notes for new "exchange" notes having terms substantially identical in all material respects to the Senior Notes, with certain exceptions (the "Exchange Offer"). The Issuers, the Company and the other Note Guarantors agreed to use their commercially reasonable efforts to consummate such Exchange Offer on or before the 366 th day after the issuance of the Senior Notes.

In addition, upon the occurrence of certain events described in the Registration Rights Agreement which result in the inability to consummate the Exchange Offer, the Issuers, the Company and the other Note Guarantors agreed to file a shelf registration statement with the SEC covering resales of the Senior Notes and to use their commercially reasonable efforts to cause such shelf registration statement to be declared effective.

The Issuers are required to pay additional interest to the holders of the Senior Notes under certain circumstances if they fail to comply with their obligations under the Registration Rights Agreement.

Note Purchase Agreement

On August 15, 2007, the Company entered into, along with the General Partner and certain of the Company's subsidiaries, (collectively, the "Note Issuers") the Amended and Restated Note Purchase Agreement (the "NPA") with Prudential Investment Management Inc., The Prudential Insurance Company of America, Prudential Retirement Insurance and Annuity Company, certain Affiliates of Prudential Investment Management Inc., iStar Financial Inc., SFT I, Inc., and certain Affiliates of iStar Financial Inc. (collectively, the "Note Purchasers"). Capitalized terms which are not defined in this Annual Report on Form 10-K shall have the same meaning assigned to such terms in the NPA,as amended.

Pursuant to the NPA, the Note Issuers and the Note Purchasers agreed to (a) exchange certain senior secured notes previously issued by the Note Issuers to the Note Purchasers on September 20, 2004, for new Series A Notes, as defined in the NPA, due September 20, 2009, in the amount of $80 million; and (b) issue Series B Notes, as defined in the NPA, due August 15, 2012 in the aggregate amount of $35 million, subject to the option, on an uncommitted basis, to issue/purchase additional secured Shelf Notes in the aggregate amount of up to $35 million, and to issue/purchase additional secured Shelf Notes to refinance the Series A Notes.

On November 2, 2007, the Company entered into the First Amendment to Amended and Restated Note Purchase Agreement (the "First Amendment to NPA") by and among the Company, the General Partner, certain of the Company's subsidiaries and the noteholders, to among other things, amend the negative covenants of the NPA.

On December 21, 2007, the Company entered into the Joinder to Amended and Restated Note Purchase Agreement and Finance Documents pursuant to which the Company added certain issuers to the NPA. Pursuant to the NPA, as amended, certain of the Company's subsidiaries issued Senior Secured Series C Notes (the "Series C Notes" and together with Series A Notes, Series B Notes and the Shelf Notes are referred to as the "Notes") in the aggregate principal amount of $17.5 million, due December 21, 2012.

The Series A Notes bore an interest rate of 7.66% per annum, the Series B Notes bore an interest of 9.34% per annum and the Series C Notes bore an interest rate of 9.09% per annum.

The Notes were guaranteed by both the Company and StoneMor GP. The Notes ranked pari passu with all other senior secured debt, including the Revolving Credit Facility and the Acquisition Credit Facility. Obligations under the Notes were secured by a first priority lien and security interest covering substantially all of the assets of the Note Issuers, whether then owned or thereafter acquired, other than specified receivable rights and a second priority lien and security interest covering those specified receivable rights of the Note Issuers, whether then owned or thereafter acquired. These assets secured the Notes and the Acquisition Credit Facility described below. The priority of the liens and security interests securing the Notes is pari passu with the liens and security interests securing the Acquisition Credit Facility described below.

On April 30, 2009, the Company entered into the Second Amendment to Amended and Restated Credit Agreement by and among the Company and certain of the Company's subsidiaries, the lenders, and Bank of America, N.A., as Administrative Agent (the "Second Amendment to Credit Agreement"), pursuant to which the Company borrowed $63,000,000 under the new Acquisition Credit Facility commitments, which, together with the $17,000,000 of the existing availability under the Acquisition Credit Facility, were used to repay the Series A Notes. In addition, we borrowed $5,400,000 under the Revolving Credit Facility, which was used to pay the accrued interest on the Series A Notes, fees to Bank of America, N.A., amendment fees to noteholders under the Second Amendment to NPA described below as well as various other fees and costs incurred in connection with these transactions. In connection with the Second Amendment to Credit Agreement, on April 30, 2009, the Company also entered into the Second Amendment to Amended and Restated Note Purchase Agreement by and among the Company, the General Partner and certain of the Company's subsidiaries and the noteholders (the "Second Amendment to NPA").

The Second Amendment to NPA amended the Note Purchase Agreement to, among other matters, amend and restate the Series B Notes and the Series C Notes. The Series B Notes were amended to increase the interest rate to 11.00% (the "Amended Series B Notes"). The Series C Notes were amended not only to increase the interest rate to 11.00%, but also to change the maturity date from December 21, 2012 to August 15, 2012 (the "Amended Series C Notes," and together with the Amended Series B Notes, the "Amended NPA Notes").

On July 1, 2009, the Company entered into the Third Amendment to Amended and Restated Note Purchase Agreement by and among the Company, the General Partner, certain of the Company's subsidiaries and the noteholders, to among other things, amend certain negative covenants of the NPA.

In connection with the Fourth Amendment to Credit Agreement, as described below, on November 24, 2009, the Company entered into the Fourth Amendment to Amended and Restated Note Purchase Agreement by and among the Company, the General Partner, the Operating Company, certain of the Company's subsidiaries and the noteholders (the "Fourth Amendment to NPA"). The Fourth Amendment to NPA amended the NPA to, among other matters, amend certain restrictive covenants and other terms set forth in the NPA to permit the Company to incur the indebtedness evidenced by the Amended NPA Notes, enter into the restrictive covenants set forth in the Indenture, use the net proceeds of the Notes Offering as discussed above and amend the Consolidated Leverage Ratio in accordance with the Fourth Amendment to Credit Agreement.

Under the Fourth Amendment to NPA, the Company is permitted to incur indebtedness under the Credit Agreement not greater than $80.0 million (the "Aggregate Credit Facility Cap"), consisting of the Acquisition Credit Facility, as defined below, not to exceed $45.0 million and the Revolving Credit Facility, as defined below, not to exceed $35.0 million. The Aggregate Credit Facility Cap may be increased up to $100.0 million, with the Acquisition Credit Facility cap to be increased up to $55.0 million and the Revolving Credit Facility cap to be increased up to $45.0 million with the approval of the holders of at least a majority principal amount of the shelf notes, which shall not be unreasonably withheld.

The Note Issuers under the NPA paid fees to the holders of the Amended NPA Notes in connection with the Fourth Amendment to NPA.

The Amended NPA Notes bear an interest rate of 11.00% per annum, payable quarterly. Under the Fourth Amendment to NPA, the interest rate on the Amended NPA Notes was to be increased by 1.5% per annum during any period in which (i) any holder of the Amended NPA Notes is required to maintain reserves in excess of 3.4% of the principal amount of such Amended NPA Notes, as a result of a decision of an insurance regulatory authority having responsibility for valuation of insurance company assets (an "IR Authority") or (ii) the Senior Notes issued pursuant to the Notes Offering are designated any rating below BB- (or its equivalent) by an IR Authority, provided that any Amended NPA Notes are not designated a separate rating of BB- or higher (or its equivalent) by such authority (each, a "Reserve Event").

On January 15, 2010, the Company entered into the Fifth Amendment to the NPA, to provide for further changes to the Consolidated Leverage Ratio similar to the changes under the Fifth Amendment to Credit Agreement, as defined below, and to clarify that the interest rate applicable to the Amended NPA Notes increased from 11% per annum to 12.5% per annum effective November 24, 2009, which increase will continue until the termination of the Reserve Event period in accordance with the NPA.

The NPA contains restrictive covenants that, among other things, prohibit distributions upon defined events of default, restrict investments and sales of assets and require the Company to maintain certain financial covenants, including specified financial ratios. The Company was in compliance with all debt covenants at December 31, 2009.

Acquisition Credit Facility and Revolving Credit Facility

On August 15, 2007, the Company, the General Partner, and the Operating Company and various subsidiaries of the Operating Company (collectively, the "Borrowers"), entered into the Amended and Restated Credit Agreement (the "Credit Agreement") with Bank of America, N.A. ("Bank of America"), other lenders, and BAS (collectively, the "Lenders"). The Credit Agreement provides for both an acquisition credit facility (the "Acquisition Credit Facility") and a revolving credit facility (the "Revolving Credit Facility").

The Credit Agreement initially provided that: (1) the Acquisition Credit Facility would have a maximum principal amount of $40,000,000 (with an option to increase such facility by an additional $15,000,000 on an uncommitted basis) and the term of 5 years, and (2) the Revolving Credit Facility would have a maximum principal amount of $25,000,000 (with an option to increase such facility by up to $10,000,000 on an uncommitted basis) and a term of 5 years. Amounts borrowed under the Acquisition Credit Facility and repaid or prepaid may not be reborrowed and amounts borrowed under the Revolving Credit Facility and repaid or prepaid during the term may be reborrowed. In addition, Bank of America agreed to provide to the borrowers swing line loans ("Swing Line Loans") with a maximum limit of $5,000,000, which is a part of the Revolving Credit Facility. Loans outstanding under the Acquisition Credit Facility and the Revolving Credit Facility bear interest at rates set forth in the Credit Agreement, which have seen been amended as described below.

On November 2, 2007, the Company, the General Partner and the Borrowers entered into the First Amendment to Amended and Restated Credit Agreement with certain lenders thereto and Bank of America, to among other things, amend certain negative covenants of the Credit Agreement.

On April 30, 2009, the Company, the General Partner and the Borrowers entered into the Second Amendment to Credit Agreement with the lenders and Bank of America. The Second Amendment to Credit Agreement amended the Credit Agreement to, among other matters, increase (i) the Revolving Credit Facility to a maximum aggregate principal amount of $35,000,000, with the ability to request further increases in a maximum aggregate principal amount of $10,000,000, and (ii) the Acquisition Credit Facility to a maximum aggregate principal amount of $102,850,000, with the ability to request further increases in a maximum aggregate principal amount of $57,000,000, subject to a minimum increase amount of $5,000,000. The maximum aggregate principal amount of the Acquisition Credit Facility was increased to $107,850,000, with the ability to request further increases in a maximum aggregate principal amount of $52,000,000, after giving effect to a $5,000,000 increase in the Acquisition Credit facility implemented through the Lender Joinder to Amended and Restated Credit Agreement, dated June 24, 2009, among the Company, the General Partner, the Borrowers and other parties thereto.

On July 6, 2009, the Company, the General Partner, the Borrowers and Bank of America entered into the Third Amendment to Amended and Restated Credit Agreement to among other things, amend certain negative covenants of the Credit Agreement.

Concurrently with the closing of the Notes Offering and Units Offering, on November 24, 2009, the Company entered into the Fourth Amendment to Amended and Restated Credit Agreement (the "Fourth Amendment to Credit Agreement") by and among the Company, the General Partner, the Borrowers, the lenders, and Bank of America, as Administrative Agent for the benefit of the lenders. The Fourth Amendment to Credit Agreement amended the Credit Agreement to, among other matters, (i) amend certain restrictive covenants and other terms set forth in the Credit Agreement to permit the Company to incur the indebtedness evidenced by the Senior Notes, enter into the Indenture and use the net proceeds of the Notes Offering and Units Offering as discussed above; (ii) decrease the Acquisition Credit Facility to a maximum aggregate principal amount of $45.0 million, with the ability to request further increases in a maximum aggregate principal amount of $10.0 million; and (iii) amend the Consolidated Leverage Ratio (as defined in the Credit Agreement) to provide that the Company and the General Partner shall not permit such ratio to be greater than:

- 4.0 to 1.0, for the Company's most recently completed four fiscal quarters ending prior to January 1, 2010;
- 3.75 to 1.0, for the Company's most recently completed four fiscal quarters ending between January 1, 2010 and December 31, 2010; or
- 3.65 to 1.0, for the Company's most recently completed four fiscal quarters ending after December 31, 2010.

On January 15, 2010, the Company entered into the Fifth Amendment to the Amended and Restated Credit Agreement (the "Fifth Amendment") which further amended the Consolidated Leverage Ratio to provide that the Company and the General Partner shall not permit such ratio to be greater than:

- 4.0 to 1.0, for the Company's most recently completed four fiscal quarters ending prior to July 1, 2010;
- 3.75 to 1.0, for the Company's most recently completed four fiscal quarters ending between July 1, 2010 and December 31, 2010; or
- 3.65 to 1.0, for the Company's most recently completed four fiscal quarters ending after December 31, 2010.

The Consolidate Leverage Ratio was 3.83 at December 31, 2009.

Loans outstanding under the Acquisition Credit Facility and the Revolving Credit Facility bear interest at a per annum rate based upon a base rate (the "Base Rate") or a Eurodollar rate (the "Eurodollar Rate") plus a margin ranging from 2.25% to .3.25% over the Base Rate and 3.25% to 4.25% over the Eurodollar Rate, as selected by the Borrowers. The Base Rate is the highest of (a) the Federal Funds Rate plus 0.5% or (b) the Prime Rate, as defined in the Credit Agreement. The Eurodollar Rate equals to the greater of: (i) the British Bankers Association LIBOR Rate or (ii) if such rate is not available, the rate determined by Bank of America, N.A., as the Administrative Agent, subject to certain conditions. Margin is determined by the ratio of consolidated funded debt to consolidated EBITDA.

The borrowers under the Credit Agreement paid fees to Bank of America, N.A. as Administrative Agent, and Banc of America Securities LLC, as Arranger. In addition, the Credit Agreement requires the Borrowers to pay an unused commitment fee, which is calculated based on the amount by which the commitments under the Credit Agreement exceed the usage of such commitments.

The proceeds of the Acquisition Credit Facility may be used by the Borrowers to finance (i) Permitted Acquisitions, as defined in the Credit Agreement, and (ii) the purchase and construction of mausoleums. The proceeds of the Revolving Credit Facility and Swing Line Loans may be utilized to finance working capital requirements, Capital Expenditures, as defined in the Credit Agreement, and for other general corporate purposes.

Borrowings under the Credit Agreement rank pari passu with all other senior secured debt of the Borrowers including the senior secured notes discussed above. The Borrowers' obligations under the Credit Agreement are guaranteed by both the Company and the General Partner (collectively, the "Guarantors").

The Borrowers' obligations under the Revolving Credit 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 second priority lien and security interest in substantially all assets other than those receivable rights of the Borrowers and Guarantors, excluding trust accounts and certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts, the General Partner's interest in the Company and the General Partner's incentive distribution rights under the partnership agreement. The specified receivable rights include all accounts and other rights to payment arising under customer contracts or agreements 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.

The Borrowers' obligations under the Acquisition Credit 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, the General Partner's interest in the Company and the General Partner's incentive distribution rights under the partnership agreement, and a secondary priority lien and security interest in those specified receivable rights. These assets secure the Acquisition Credit Facility and the senior secured notes described above. The priority of the liens and security interests securing the Acquisition Credit Facility is pari passu with the liens and security interests securing the senior secured notes described above.

The agreements governing the Revolving Credit Facility, the Acquisition Credit Facility and Amended NPA Notes contain restrictive covenants that, among other things, prohibit distributions upon defined events of default, restrict investments and sales of assets and require the Company to maintain certain financial covenants, including specified financial ratios. A material decrease in sales could cause the Company to breach certain of its financial covenants, such as the leverage ratio and the interest coverage ratio, under the Company's Credit Agreement and NPA, as amended. Any such breach could allow the lenders to accelerate (or create cross-default under) the Company's debt which would have a material adverse effect on the Company's business, financial condition or results of operations. As of December 31, 2009, the Company had no amounts outstanding under the Credit Agreement and the Company was in compliance with all applicable covenants.

Green Lawn Note

In July of 2009, certain of the Company's subsidiaries, entered into a $1.4 million note purchase agreement in connection with an operating agreement in which the Company became the exclusive operator of Green Lawn Cemetery (the "Green Lawn Note"). The Green Lawn Note bears interest at a rate of 6.5% per year on unpaid principal and is payable monthly, beginning on August 1, 2009. Principal on the note is due in 96 equal installments beginning on July 1, 2011.

9. INCOME TAXES

Effective with the closing of the Partnership's initial public offering on September 20, 2004 (see Note 1), the Company was no longer a taxable entity for federal and state income tax purposes; rather, the Partnership's tax attributes (except those of its corporate subsidiaries) are to be included in the individual tax returns of its partners.

The tax on the Company's net income is borne by its general and limited partners. Net income for financial statement purposes may differ significantly from the taxable income of such partners as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation

requirements under the partnership agreement. The aggregate difference in the basis of the Company's net assets for financial and tax reporting purposes cannot be readily determined because information regarding each partner's tax attributes is not available to the Company.

The tax returns of the Partnership are subject to examination by state and federal tax authorities. If such examinations result in changes to taxable income, the tax liability of the partners could be changed accordingly.

Components of the income tax provision (benefit) applicable to continuing operations for federal and state taxes are as follows:

	Years ended December 31,		
	2009	2008	2007
		(in thousands)	
Current provision:			
Federal	$ (25)	$ 27	$227
State	567	617	398
Total	542	644	625
Deferred provision:			
Federal	(2,737)	(251)	—
State	241	(313)	—
Total	(2,496)	(564)	—
Total taxes	$(1,954)	$ 80	$625

The difference between the statutory federal income tax and the Company's effective income tax is summarized as follows:

	Years ended December 31,		
	2009	2008	2007
		(in thousands)	
Computed tax provision at the applicable statutory tax rate	$(1,061)	$ 1,611	$ 1,199
State and local taxes net of federal income tax benefit	369	401	259
Tax exempt (income) loss	376	(199)	(371)
Change in valuation allowance	3,310	3,954	3,660
Partnership earnings not subject to tax	(4,991)	(5,970)	(4,155)
Permanent differences	43	283	—
Other	—	—	33
Income taxes	$(1,954)	$ 80	$ 625

Deferred tax assets and liabilities result from the following:

	As of December 31,	
	2009	2008
	(in thousands)	
Deferred tax assets		
Prepaid expenses	$ 3,093	$ 3,005
State net operating loss	6,554	5,220
Federal net operating loss	31,765	23,182
Alternative minimum tax credit	66	66
Unrealized losses	10,566	27,161
Valuation allowance	(32,718)	(45,458)
Total deferred tax assets	19,326	13,176
Deferred tax liabilities		
Property, plant and equipment	2,065	1,201
Deferred revenue related to future revenues and accounts receivable	17,525	15,539
Deferred revenue related to cemetery property	4,576	4,226
Deferred cost adjustment	—	—
Total deferred tax liabilities	24,166	20,966
Net deferred tax liabilities	$ 4,839	$ 7,790

We had available, at December 31, 2009, approximately less than $0.1 million of alternative minimum tax credit carryforwards, which are available indefinitely, and $90.7 million of federal net operating loss carryforwards, which will begin to expire in 2019 and $140.7 million in state net operating losses which will begin to expire in 2010.

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

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

Management periodically evaluates all evidence, both positive and negative, in determining whether a valuation allowance to reduce the carrying value of deferred tax assets is required. In 2009, we concluded, based on the projected allocations of taxable income, that a deferred tax asset of approximately $0.4 million will more likely than not be realized on several subsidiaries. In addition, several separate taxable subsidiaries were in a deferred tax liability position at December 31, 2009 and recognized those liabilities. The vast majority of the taxable subsidiaries continue to accumulate deferred tax assets that will not more likely than not be realized. A full valuation allowance continues to be maintained on these taxable subsidiaries. Ultimate realization of the deferred tax asset is dependent upon, among other factors, the Partnership's corporate subsidiaries' ability to generate sufficient taxable income within the carryforward periods and is subject to change depending on the tax laws in effect in the years in which the carryforwards are used.

The Company adopted the provisions of ASC Topic 740 ("ASC 740") on January 1, 2007. Amongst other things, ASC 740 requires that the Company recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied ASC 740 to all tax positions for which the statute of limitations remained open. The impact of adopting ASC 740 was not material as of the date of adoption or in subsequent periods. As a result of the implementation of ASC 740, the Company did not recognize any change in the liability for unrecognized tax benefits and there was no change to the January 1, 2009 balance of retained earnings. As of January 1, 2009, the Company had approximately $0.9 million of unrecognizable tax benefits. If recognized, the $0.9 million of the unrecognized tax benefits would reduce income tax expense and the Company's effective tax rate. There were no changes between the beginning unrecognizable tax benefit amount and the amount at December 31, 2009.

The Company and its subsidiaries are subject to US federal income tax as well as income taxes of multiple state jurisdictions. The Company's effective tax rate fluctuates over time based on income tax rates in the various tax jurisdictions in which the Company operates and based on the level of earnings in those jurisdictions. The Company is not currently under examination by any federal and state jurisdictions. The federal statute of limitations and certain states are opened from 2006 forward. Management believes that the accrual for tax liabilities is adequate for all open years. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. On the basis of present information, it is the opinion of the Company's management that there are no pending assessments that will result in a material adverse effect on the Company's consolidated financial statements over the next twelve months.

The Company recognizes any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses for all periods presented. The Company has not recorded any material interest or penalties during any of the years presented.

10. DEFERRED CEMETERY REVENUES—NET / DEFERRED SELLING AND OBTAINING COSTS

In accordance with SAB No. 104, the Company defers the revenues and all direct costs associated with the sale of pre-need cemetery merchandise and services until the merchandise is delivered or the services are performed. The Company also defers the costs to obtain new pre-need cemetery and new prearranged funeral business as well as the investment earnings on the prearranged services and merchandise trusts (see Note 1).

At December 31, 2009 and 2008, deferred cemetery revenues, net, consisted of the following

	As of December 31,	
	2009	2008
	(in thousands)	
Deferred cemetery revenue	$222,749	$186,515
Deferred merchandise trust revenue	29,142	32,557
Deferred merchandise trust unrealized losses	(27,278)	(66,607)
Deferred pre-acquisition margin	66,297	67,615
Deferred cost of goods sold	(31,931)	(27,063)
Deferred cemetery revenues, net	$258,978	$193,017
Deferred selling and obtaining costs	$ 49,782	$ 41,795

11. RETIREMENT PLANS AND LONG-TERM INCENTIVE PLANS

The Company has a 401(k) retirement savings plan for employees who may defer up to 15% of their compensation. The Company does not currently match any of the employee contributions.

Long Term Incentive Plan

Overview

On November 8, 2006, the General Partner's board of directors adopted the StoneMor Partners L.P. Long-Term Incentive Plan, as amended ("LTIP") for its employees, consultants and directors, who perform services for the Company. The LTIP permits the grant of awards covering an aggregate of 624,000 common units in the form of unit options, unit appreciation rights ("UARs"), restricted units and phantom units. The compensation committee of the Company's general partner's board of directors administers the plan. The plan will continue in effect until the earliest of (i) the date determined by the General Partner's board of directors; (ii) the date that common units are no longer available for payment of awards under the plan; or (iii) the tenth anniversary of the plan.

The General Partner's board of directors or compensation committee may, in their discretion, terminate, suspend or discontinue the LTIP at any time with respect to any units for which a grant has not yet been made. The General Partner's board of directors also has the right to alter or amend the LTIP or any part of the plan from time to time, including increasing the number of units that may be delivered in accordance with awards under the plan, subject to any approvals if required by the exchange upon which the common units are listed at that time. No change in any outstanding grant may be made, however, that would materially impair the rights of the participant without the consent of the participant.

Awards Made Under the Plan

Unit Awards

On November 8, 2006, the General Partner, acting on behalf of the Company, entered into a Key Employee Restricted Phantom Unit Agreement (the "Key Employee Agreement") with certain of its employees ("Key Employees").

Under the terms of the Key Employee Agreement, Key Employees received Restricted Phantom Units ("Employee Phantom Units"), which in turn were equal to the sum of Time Vested Units ("Time Vested Units") and Performance Vested Units ("Performance Vested Units"). Employee Phantom Units are the economic equivalent of one common unit representing limited partner interests of the Company. Employee Phantom Units become payable, in cash or common units, at the Company's election, upon the full vesting of the Employee Phantom Units. Employee Phantom Units contained no distribution equivalent rights during the vesting period.

Time Vested Units vest at a percentage rate which was equal to the smaller of:

- The percentage of total subordinated units which had been converted to common units; or
- A fraction, the numerator of which was equal to the number of months that had passed since September 20, 2004 and the denominator of which was 48.

Performance Vested Units vest at a percentage rate which is equal to the percentage of total subordinated units which have been converted to common units.

Except in the event of the Change of Control, when Employee Phantom Units vest automatically, Employee Phantom Units shall not vest until the Company is able to issue freely tradable common units to the participant in compliance with all applicable securities laws.

A total of 360,500 Employee Phantom Units were granted under the Key Employee Agreement. 90,125 of these units vested in 2007 and were converted into common units in January of 2008. An additional 90,125 of these units vested in and were converted into common units in 2008. The remaining 180,250 of these units matured in 2009 and are expected to be converted in early 2010.

On November 8, 2006, the General Partner, acting on behalf of the Company, entered into a Director Restricted Phantom Unit Agreement (the "Director Agreement") with certain of its outside directors (the "Directors").

Under the terms of the Director Agreement, each of five directors was awarded 3,000 Restricted Phantom Units ("Director Phantom Units"). Director Phantom Units become payable, in cash or common units, at the Company's election, upon the separation of the Director from service as a director or upon the occurrence of certain other events specified in the Director Agreement. Each Director Phantom Unit contains a distribution equivalent right which entitles each Director to additional Director Phantom Units upon each distribution made to common unit holders. The calculation of additional Director Phantom Units granted upon each distribution to common unit holders is equal to a Directors total cumulative Director Phantom Units at the time of a distribution multiplied by the per unit monetary distribution divided by the fair value of a common unit at the time of the distribution. There were approximately 43,693, 33,179 and 25,787 Director Phantom Units outstanding at December 31, 2009, 2008 and 2007 respectively.

On December 16, 2009, the General Partner, acting on behalf of the Company, entered into an Executive Restricted Phantom Unit Agreement (the "Executive Agreement") with certain of the Company's executives (the "Executives").

Under the terms of the Executive Agreement, each Executive was awarded 10,000 Restricted Phantom Units ("Executive Phantom Units"). Executive Phantom Units become payable, in cash or common units, at the Company's election, upon the separation of the Executive from service as an executive or upon the occurrence of certain other events specified in the Executive Agreement. The exercise of Executive Phantom Units may be subject to approval by the Company's limited partners as required by the NASDAQ listing rules. Each Executive Phantom Unit contains a distribution equivalent right which entitles each Executive to additional Executive Phantom Units upon each distribution made to common unit holders. The calculation of additional Executive Phantom Units granted upon each distribution to common unit holders is equal to an Executives total cumulative Executive Phantom Units at the time of a distribution multiplied by the per unit monetary distribution divided by the fair value of a common unit at the time of the distribution. There were 20,000 Executive Phantom Units outstanding at December 31, 2009.

The table below reflects the LTIP activity for the years ended December 31, 2009, 2008 and 2007 respectively:

As of December 31, 2009, there was no unrecognized compensation cost related to any phantom or restricted unit. Total compensation expense for unit awards was approximately $1.6 million, $2.2 million and $4.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

There were no modifications made to any existing unit awards in 2009. No unit awards were capitalized during the years ended December 31, 2009, 2008 or 2007.

	Years ended December 31,		
	2009	2008	2007
		(in thousands)	
Outstanding, beginning of period	213,430	296,159	381,903
Granted (1)	30,513	7,396	4,381
Matured (2)	180,250	90,125	90,125
Forfeited	—	—	—
Outstanding, end of period	63,693	213,430	296,159

(1) The weighted-average price for unit awards on the date of grant was $17.51, $16.53 and $24.92 for the years ended December 31, 2009, 2008 and 2007, respectively.
(2) The 180,250 units that matured in 2009 are expected to be converted into common units in 2010. The 90,125 units vested in 2008 and 2007 were converted into common units in 2008.

As of December 31, 2009, there was no unrecognized compensation cost related to any phantom or restricted unit. Total compensation expense for unit awards was approximately $1.6 million, $2.2 million and $4.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

There were no modifications made to any existing unit awards in 2009. No unit awards were capitalized during the years ended December 31, 2009, 2008 or 2007.

Unit Equivalent Awards

On November 27, 2006, the General Partner, acting on behalf of the Company, entered into a Key Employee Unit Appreciation Rights Agreement (the "2006 UAR Agreement") with certain of the Company's key employees (the "2006 Key Employees).

Under the terms of the 2006 UAR Agreement, 2006 Key Employees received Unit Appreciation Rights ("UAR's") wherein 2006 Key Employees became entitled to compensation in the form of units in an amount equal to the fair value of the Company's common units upon exercise less $24.14 per unit multiplied by the total number of UAR's exercised. Units granted were to be equal to this amount divided by the fair value of common units upon exercise.

UAR's granted under the 2006 UAR Agreement were subject to the exact same vesting requirements as Employee Phantom Units granted under the Key Employee Agreement, except for the limitation related to the Company's ability to issue freely tradable common units to the participant in compliance with all applicable securities laws. A total of 120,000 UAR's were granted under the 2006 UAR Agreement, all of which had vested at December 31, 2009.

On December 16, 2009, the General Partner, acting on behalf of the Company, entered into a Key Employee Unit Appreciation Rights Agreement (the "2009 UAR Agreement") with certain of the Company's key employees (the "2009 Key Employees) and non-employee directors.

Under the terms of the 2009 UAR Agreement, 2009 Key Employees and non-employee directors received UAR's and became entitled to compensation in the form of units, in an amount equal to the fair value of the Company's common units upon exercise less $18.80 per unit multiplied by the total number of UAR's exercised. Units to be issued should be equal to this amount divided by the fair value of common units upon exercise.

UAR's granted under the 2009 UAR Agreement vest at a percentage rate which is equal to a fraction the numerator of which is the number of calendar months which have elapsed since December 16, 2009 and the denominator of which is 48, subject to forfeiture upon certain conditions set forth in the UAR. The exercise of such UARs may be subject to approval by the Company's limited partners as required by the NASDAQ listing rules. A total of 814,000 UAR's were granted under the 2009 UAR Agreement.

The fair value of UAR's granted under both the 2006 UAR Agreement and the 2009 UAR Agreements was estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted-average assumptions:

	2009 UAR Agreement	2006 UAR Agreement
Expected dividend yield	10.70%	7.90%
Risk-free interest rate	2.73%	4.50%
Expected volatility	38.70%	24.20%
Expected life (in years)	6.02	3.53

The fair value of UAR's granted under the 2009 UAR Agreements was $2.39 per UAR and approximately $1.9 million in aggregate.

The fair value of UAR's granted under the 2006 UAR Agreement was $2.47 per UAR and approximately $0.3 million in aggregate.

A summary of UAR activity for the years ended December 31, 2009, 2008 and 2007 follows:

	Years ended December 31,		
	2009	2008	2007
		(in thousands)	
Outstanding, beginning of period	120,000	120,000	120,000
Granted (1)	814,000	—	—
Vested	—	—	—
Forfeited	—	—	—
Outstanding, end of period	934,000	120,000	120,000
Exercisable, end of period	128,479	60,000	30,000

(1) The weighted-average fair value for UAR's outstanding at December 31, 2009 was $2.40.

As of December 31, 2009, there was approximately $1.9 million of unrecognized compensation cost related to non-vested UARs. Such cost is expected to be recognized over a weighted-average period of 3.96 years. Total compensation expense for UARs was less than $0.1 million for the years ended December 31, 2009, 2008 and 2007, respectively.

During the years ended December 31, 2009, 2008 and 2007, the Company:

- Made no modifications to any existing UAR awards,
- Did not capitalize any UAR awards,
- Did not receive any cash due to the exercise of UARs,
- Did not recognize any tax benefits due to exercised UARs,
- Issued no units due to the exercise of UAR's .

12. COMMITMENTS AND CONTINGENCIES

Legal

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

Leases

At December 31, 2009 and 2008, the Company was committed to operating lease payments for premises, automobiles and office equipment under various operating leases with initial terms ranging from one to five years and options to renew at varying terms. Expenses under operating leases were $2.1 million, $1.9 million and $0.7 million for the years ended December 31, 2009, 2008 and 2007 respectively.

At December 31, 2009 operating leases will result in future payments in the following approximate amounts (in thousands):

	(in thousands)
2010	$ 1,838
2011	1,640
2012	1,452
2013	1,321
2014	803
Thereafter	3,169
Total	$ 10,223

Employment Agreements

The Company has employment agreements with four of its' senior executives which are annually renewable, unless the Company or the senior executives provide notice ninety days prior to the expiration of the employment period.

Tax Indemnification

CFSI LLC has agreed to indemnify the Company for all federal, state and local income tax liabilities attributable to the operation of the assets contributed by CFSI LLC to the Company prior to the closing of the public offering. CFSI LLC has also agreed to indemnify the Company against additional income tax liabilities, if any, that arise from the consummation of the transactions related to the Company's formation in excess of those believed to result at the time of the closing of the Company's initial public offering. The Company estimates that $600,000 of state income taxes and no federal income taxes will be due as a result of these formation transactions. CFSI LLC has also agreed to indemnify the Company against the increase in income tax liabilities of the Company's corporate subsidiaries resulting from any reduction or elimination of the Company's net operating losses to the extent those net operating losses are used to offset any income tax gain or income resulting from the prior operation of the assets of CFSI LLC contributed to the Company, or from the Company's formation transactions in excess of such gain or income believed to result at the time of the closing of the initial public offering. Until all of its indemnification obligations under the omnibus agreement have been satisfied in full, CFSI LLC is subject to limitations on its ability to dispose of or encumber its interest in the Company's general partner or the common units held by it (except upon a redemption of common units by the partnership upon any exercise of the underwriters' over-allotment option) and will also be prohibited from incurring any indebtedness or other liability. CFSI LLC is also subject to certain limitations on its ability to transfer its interest in the Company's general partner or the common units held by it if the effect of the proposed transfer would trigger an "ownership change" under the Internal Revenue Code that would limit the Company's ability to use the Company's federal net operating loss carryovers.

13. ACQUISITIONS

2009

In 2009, the Company, through certain of its subsidiaries, entered into three long-term operating agreements wherein the Company has become the exclusive operator of the underlying cemetery land. Two of these agreements were entered into during the second quarter of 2009, while the third was entered into during the third quarter of 2009.

Total consideration paid for the rights acquired under these agreements was approximately $7.0 million. This consisted of $4.1 million in cash, a note payable of $1.4 million, a commitment to make capital improvements on one of the properties ($0.8 million) and an agreement to reimburse prior operators for certain

liabilities ($0.9 million) offset by an agreement wherein the Company will receive approximately $0.2 million over the next four years. The agreement to reimburse prior operators for certain liabilities does not include a market rate of interest. The $0.9 million consists of a notional amount of approximately $1.9 million offset by a discount of approximately $1.0 million. The $0.2 million to be received does not bear interest and is recorded on the Company's financial statements net of a discount of less than $0.1 million.

These three cemeteries qualify as variable interest entities ("VIE's") for which the Company is the primary beneficiary. In accordance with generally accepted accounting principles, the Company has treated these transactions as acquisitions and has accounted for them as if they were a business combination and have done each of the following:

- Identified and recorded at fair value all assets acquired and liabilities assumed.
- Determined the cost of the acquisitions.
- Recorded as goodwill the excess of consideration paid over the fair value of net assets acquired or alternatively recorded as a gain (recognized as income) the excess of the fair value of the net assets acquired over the fair value of consideration paid.

The table below summarizes the fair value of assets acquired and liabilities assumed, the purchase price paid and the total gain or goodwill on each of these transactions as of the acquisition date. Valuations are not as of yet finalized and are subject to additional changes.

	Kingwood Entity	Rest Haven Entity	Green lawn Entity	All Entities
	(in thousands)			
Assets				
Buildings	$ 427	$ 883	$ 3,089	$ 4,399
Cemetery land	1,800	2,000	3,600	7,400
Accounts receivable	137	133	109	379
Merchandise trust assets	521	920	321	1,762
PC Trust assets	438	3,009	2,911	6,358
Equipment	33	32	166	231
Other assets	—	—	750	750
Inventory	—	247	—	247
Total assets	3,356	7,224	10,946	21,526
Liabilities				
Merchandise liabilities	621	1,014	231	1,866
Deferred margin	502	820	187	1,509
Other liabilities	46	—	—	46
Deferred tax liabilities	4	97	315	416
Perpetual care trust corpus	438	3,009	2,911	6,358
Total liabilities	1,611	4,940	3,644	10,195
Fair value of net assets acquired	1,745	2,284	7,302	11,331
Purchase price	1,865	1,602	3,550	7,017
Goodwill	120	—	—	120
Gain on purchase	$ —	$ 682	$ 3,752	$ 4,435

The Company has determined that there is no non-controlling interest related to this VIE.

The operating results of these cemeteries since dates of acquisition have been consolidated into the Company's financial statements and are immaterial to the financial statements taken as a whole.

2008

The Company made four acquisitions in 2008. The first acquisition took place during the first quarter of the year and consisted of a single cemetery (the “2008 First Quarter Acquisition”). The second acquisition took place in the third quarter of the year and consisted of six cemeteries and two funeral homes (the “2008 Third Quarter Acquisition”) and the third and fourth acquisitions took place in the fourth quarter of the year and consisted of two cemeteries and one funeral home (the “2008 Fourth Quarter Acquisition”).

The Company paid $600,000 in cash and $500,000 in common units representing limited partner interests to the sellers for the 2008 First Quarter Acquisition. Including the acquisition transaction costs, the transaction was valued at $1.2 million for accounting purposes.

The Company paid approximately $800,000 in cash to the sellers for the 2008 Third Quarter Acquisition. Including the acquisition transaction costs, the transaction was valued at $1.4 million for accounting purposes.

The Company paid approximately $1.6 million in cash to the sellers for the 2008 Fourth Quarter Acquisition. Including the acquisition transaction costs, the transaction was valued at $1.8 million for accounting purposes.

2007

On December 21, 2007 the Company acquired 45 cemeteries and 30 funeral homes from Service Corporation International (NYSE: SCI) joined by certain of its direct and indirect subsidiary entities (the “SCI Acquisition”). The results of operations of these acquired cemeteries and funeral homes have been included in the consolidated financial statements since that date.

The Company’s balance sheets at December 31, 2007 reflect purchase price allocations related to the SCI Acquisition that had not as of yet been finalized. These purchase price allocations were re-estimated in 2008 and resulted in an increase of the value of net assets acquired from $76.4 million to $78.1 million along with a reallocation of the various components of such net assets acquired.

14. SEGMENT INFORMATION

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

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

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

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

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

Segment information as of and for the years ended December 31, 2009, December 31, 2008 and December 31, 2007 is presented below:

As of and for the year ended December 31, 2009

	Cemeteries			Funeral			
	Southeast	Northeast	West	Homes	Corporate	Adjustment	Total
	(in thousands)						
Revenues							
Sales	$ 71,756	$ 33,743	$ 27,094	$ —	$ 15	$ (19,933)	$112,675
Service and other	27,976	20,450	12,862	—	—	(16,126)	45,162
Funeral home	—	—	—	23,365	—	—	23,365
Total revenues	99,732	54,193	39,956	23,365	15	(36,059)	181,203
Costs and expenses							
Cost of sales	15,463	7,207	4,422	—	4	(5,249)	21,847
Cemetery	18,555	12,842	9,834	—	14	—	41,246
Selling	22,368	10,595	7,834	—	854	(7,529)	34,123
General and administrative	11,453	6,126	4,884	—	34	—	22,498
Corporate overhead	—	—	—	—	22,370	—	22,370
Depreciation and amortization	1,393	840	448	1,101	2,608	—	6,390
Funeral home	—	—	—	19,004	—	—	19,004
Acquisition related costs	—	—	—	—	2,292	—	2,292
Total costs and expenses	69,232	37,611	27,423	20,105	28,176	(12,778)	169,772
Operating earnings	30,500	16,582	12,533	3,260	(28,161)	(23,281)	11,431
Gain on sale of funeral home	—	—	—	—	434	—	434
Gain on acquisitions	—	—	—	—	4,435	—	4,435
(Decrease) in fair value of interest rate swap	—	—	—	—	(2,681)	—	(2,681)
Expenses related to refinancing	—	—	—	—	2,242	—	2,242
Interest expense	6,515	2,649	3,082	2,123	39	—	14,409
Earnings (losses) before taxes	$ 23,985	$ 13,933	$ 9,451	$ 1,137	$ 28,255	$ (23,281)	$ (3,031)
Supplemental information							
Total assets	$378,170	$252,637	$162,663	$35,436	$ 29,982	$ —	$858,889
Amortization of cemetery property	$ 3,181	$ 2,332	$ 615	$ —	$ —	$ (264)	$ 5,864
Long lived asset additions	$ 8,397	$ 958	$ 999	$ 1,790	$ 234	$ —	$ 12,378

As of and for the year ended December 31, 2008

	Cemeteries			Funeral			
	Southeast	Northeast	West	Homes	Corporate	Adjustment	Total
	(in thousands)						
Revenues							
Sales	$ 63,759	$ 32,950	$ 27,794	$ —	$ 5	$ (22,990)	$101,518
Service and other	24,879	21,240	14,577	—	—	(2,730)	57,966
Funeral home				23,963	—	—	23,963
Total revenues	88,638	54,190	42,371	23,963	5	(25,720)	183,448
Costs and expenses							
Cost of sales	14,032	8,038	4,616	—	1	(3,805)	22,882
Cemetery	17,805	13,542	10,257	—	47	—	41,651
Selling	20,270	10,665	8,191	—	1,252	(5,573)	34,806
General and administrative	10,419	6,096	4,767	—	90	—	21,372
Corporate overhead	—	—	—	—	21,293	—	21,293
Depreciation and amortization	1,492	940	378	849	1,381	—	5,029
Funeral home	—	—	—	19,066	—	—	19,066
Total costs and expenses	64,018	39,281	28,210	19,915	24,064	(9,378)	166,098
Operating earnings	24,620	14,909	14,161	4,048	(24,059)	(16,342)	17,350
Interest expense	5,163	2,657	2,696	2,198	—	—	12,714
Earnings (losses) before taxes	$ 19,457	$ 12,252	$ 11,465	$ 1,850	$(24,059)	$ (16,342)	$ 4,636
Supplemental information							
Total assets	$322,365	$228,447	$138,956	$35,817	$ 12,656	$ —	$738,240
Amortization of cemetery property	$ 2,966	$ 2,474	$ 493	$ —	$ —	$ 435	$ 6,368
Long lived asset additions	$ 18,930	$ 1,024	$ 1,431	$ 1,237	$ 1,580	$ —	$ 24,201

As of and for the year ended December 31, 2007

	Cemeteries			Funeral			
	Southeast	Northeast	West	Homes	Corporate	Adjustment	Total
	(in thousands)						
Revenues							
Sales	$ 51,070	$ 33,354	$ 8,729	$ —	$ —	$ (9,442)	$ 83,711
Service and other	23,409	28,366	7,031	—	1	(7,986)	50,821
Funeral home	—	—	—	10,782	—	—	10,782
Total revenues	74,479	61,720	15,760	10,782	1	(17,428)	145,314
Costs and expenses							
Cost of sales	11,528	7,871	1,857	—	—	(1,584)	19,671
Cemetery	13,627	13,662	3,478	—	—	—	30,767
Selling	16,485	10,841	2,829	—	979	(1,889)	29,245
General and administrative	8,011	5,948	1,726	—	—	—	15,684
Corporate overhead	—	—	—	—	24,991	—	24,991
Depreciation and amortization	1,276	919	62	386	1,248	—	3,891
Funeral home	—	—		8,422	—	—	8,422
Total costs and expenses	50,927	39,240	9,951	8,808	27,218	(3,473)	132,671
Operating earnings	23,552	22,480	5,809	1,974	(27,217)	(13,955)	12,643
Expense related to refinancing	—	—	—	—	157	—	157
Interest expense	4,480	3,555	425	615	—	—	9,075
Earnings (losses) before taxes	$ 19,072	$ 18,925	$ 5,384	$ 1,359	$(27,374)	$ (13,955)	$ 3,411
Supplemental information							
Total assets	$351,995	$269,591	$136,749	$39,548	$ 18,980	$ —	$816,862
Amortization of cemetery property	$ 3,099	$ 2,290	$ 120	$ —	$ —	$ 292	$ 5,801
Long lived asset additions	$ 16,009	$ 287	$ 18,732	$ 9,089	$ 1,376	$ —	$ 45,493

15. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company simultaneously adopted ASC 820 and ASC 825. As per the provisions of ASC 825, the Company did not elect fair value measurement for any eligible assets or liabilities not previously recorded at fair value.

ASC 820 establishes a new framework for measuring fair value and expands related disclosures. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 establishes a fair value hierarchy that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy defined by ASC 820 are described below.

Level 1: Quoted market prices available in active markets for identical assets or liabilities. The Company includes cash and cash equivalents, U.S. Government debt securities and publicly traded equity instruments in its level 1 investments.

Level 2: Quoted prices in active markets for similar assets; quoted prices in non-active markets for identical or similar assets; inputs other than quoted prices that are observable. The Company includes U.S. state and municipal, corporate and other fixed income debt securities in its level 2 investments.

Level 3: Any and all pricing inputs that are generally unobservable and not corroborated by market data.

The following table allocates the Company's assets and liabilities measured at fair value as of December 31, 2009 and 2008.

As of December 31, 2009:

Merchandise Trust

Description	Level 1	Level 2	Level 3
		(in thousands)	
Assets			
Short-term investments	$ 47,451	$ —	$ —
Fixed maturities:			
U.S. government and federal agency	—	—	—
U.S. state and local government agency	—	23	—
Corporate debt securities	—	3,246	—
Other debt securities	—	10,841	—
Total fixed maturity investments	—	14,110	—
Mutual funds—debt securities	31,154	7,559	—
Mutual funds—equity securities	70,438	—	—
Equity securities	31,763	—	—
Other invested assets	—	1,411	
Total	$180,806	$23,079	$ —

Perpetual Care Trust

Description	Level 1	Level 2	Level 3
		(in thousands)	
Assets			
Short-term investments	$ 46,615	$ —	$ —
Fixed maturities:			
U.S. government and federal agency	4,765	—	—
U.S. state and local government agency	—	1,437	—
Corporate debt securities	—	13,892	—
Other debt securities	—	4,849	—
Total fixed maturity investments	4,764	20,178	—
Mutual funds—debt securities	19,835	16,498	—
Mutual funds—equity securities	52,557	—	—
Equity securities	35,413	—	—
Other invested assets		436	
Total	$159,813	$37,112	$ —
Interest Rate Swap	$ —	$ 2,681	$ —

As of December 31, 2008:

Merchandise Trust

Description	Level 1	Level 2	Level 3
	(in thousands)		
Assets			
Short-term investments	$ 26,911	$ —	$ —
Fixed maturities:			
U.S. government and federal agency	5,629	—	—
U.S. state and local government agency	—	4,473	—
Corporate debt securities	—	3,153	—
Other debt securities	—	10,655	—
Total fixed maturity investments	5,629	18,281	—
Mutual funds—debt securities	21,799	6,548	—
Mutual funds—equity securities	53,217	—	—
Equity securities	29,220	—	—
Total	$136,776	$24,829	$ —

Perpetual Care Trust

Description	Level 1	Level 2	Level 3
	(in thousands)		
Assets			
Short-term investments	$ 21,236	$ —	$ —
Fixed maturities:			
U.S. government and federal agency	10,219	—	—
U.S. state and local government agency	—	8,477	—
Corporate debt securities	—	11,221	—
Other debt securities	—	572	—
Total fixed maturity investments	10,219	20,270	—
Mutual funds—debt securities	23,624	14,274	—
Mutual funds—equity securities	40,042	—	—
Equity securities	23,132	—	—
Total	$ 118,253	$34,544	$ —

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following summarizes certain quarterly results of operations:

	Three months ended			
2009	March 31	June 30	September 30	December 31
Revenues	$42,958	$47,802	$ 46,587	$ 43,856
Net income (loss)	(865)	1,639	1,400	(3,251)
General partners' interest in net income (loss) for the period	(17)	33	28	(66)
Limited partners' interest in net income (loss) for the period				
Common	(697)	1,320	1,127	(2,644)
Subordinated	(151)	286	245	(541)
Net income (loss) per common unit				
Basic	(0.07)	0.14	0.12	(0.28)
Diluted	$ (0.07)	$ 0.14	$ 0.12	$ (0.28)

2008	Three months ended March 31	June 30	September 30	December 31
Revenues	$43,413	$47,936	$ 45,783	$ 46,316
Net income	458	2,232	335	1,531
General partners' interest in net income for the period	9	45	8	91
Limited partners' interest in net income for the period				
Common	328	1,597	239	3,325
Subordinated	121	590	88	1,140
Net income per common unit				
Basic	0.04	0.18	0.03	0.13
Diluted	$ 0.04	$ 0.18	$ 0.03	$ 0.13

2007	Three months ended March 31	June 30	September 30	December 31
Revenues	$30,540	$40,664	$ 35,376	$ 38,734
Net income (loss)	(651)	4,663	(7)	(1,219)
General partners' interest in net income (loss) for the period	(13)	93	—	(24)
Limited partners' interest in net income (loss) for the period				
Common	(339)	2,426	(4)	(742)
Subordinated	(299)	2,144	(3)	(453)
Net income (loss) per common unit				
Basic	(0.07)	0.54	—	(0.13)
Diluted	$ (0.07)	$ 0.54	$ —	$ (0.13)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15 (f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria described in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that we maintained effective internal control over financial reporting as of December 31, 2009.

The effectiveness of our internal control over financial reporting as of December 31, 2009 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which appears herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of StoneMor Partners L.P. and subsidiaries (the "Company") as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2009 of the Company and our report dated March 16, 2010 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
March 16, 2010

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Partnership Structure and Management

StoneMor GP LLC, as our general partner, manages our operations and activities. Unitholders are not entitled to participate, directly or indirectly, in our management or operations.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business. Unitholders do not have the right to elect our general partner or its directors on an annual or other continuing basis. Our general partner may not be removed except by the vote of the holders of at least 66 2/3% of the outstanding common units, including units owned by our general partner and its affiliates. Because of their controlling ownership interest in our general partner, the McCown De Leeuw funds are able to control the election of a majority of the directors of our general partner.

Directors and Executive Officers of StoneMor GP LLC

The following table shows information regarding the directors and executive officers of our general partner. Directors are elected for one-year terms or until his successor is duly elected and qualified. Pursuant to their respective employment agreements, Messrs. Miller, Shane, M. Stache and R. Stache serve as executive officers of our general partner for a one-year term, which is automatically extended for successive one-year terms unless either party gives written notice of non-renewal 90 days prior to the end of the term.

Name	Age	Positions with StoneMor GP LLC
Lawrence Miller (1)	61	Chief Executive Officer, President and Chairman of the Board
William R. Shane (1)	63	Executive Vice President, Chief Financial Officer and Director
Michael L. Stache	58	Senior Vice President and Chief Operating Officer
Robert Stache	61	Senior Vice President—Sales
Paul Waimberg	52	Vice President—Finance and Corporate Development
Timothy K. Yost	43	Vice President—Financial Reporting and Investor Relations
Allen R. Freedman	69	Director
Peter K. Grunebaum	76	Director
Robert B. Hellman, Jr.	50	Director
Martin R. Lautman, Ph.D.	63	Director
Fenton R. Talbott	68	Director
Howard L. Carver	65	Director

(1) The Amended and Restated Limited Liability Company Agreement of our general partner, as amended, or the GP LLC Agreement, specifies that, so long as Mr. Miller serves as Chief Executive Officer of our general partner, he shall also serve as a director of our general partner and, so long as Mr. Shane serves as Chief Financial Officer of our General Partner, he shall also serve as a director of our general partner.

Executive Officers and Board Members

We have two individuals who serve as both executive officers and as members of the Board of Directors of StoneMor GP LLC, our General Partner.

Lawrence Miller has served as our Chief Executive Officer, President and Chairman of the Board of Directors of our general partner since our formation in April 2004 and had served as the Chief Executive Officer and President of Cornerstone, since March 1999 through April 2004. Prior to joining Cornerstone, Mr. Miller was employed by The Loewen Group, Inc. (now known as the Alderwoods Group, Inc.), where he served in

various management positions, including Executive Vice President of Operations from January 1997 until June 1998, and President of the Cemetery Division from March of 1995 until December 1996. Prior to joining The Loewen Group, Mr. Miller served as President and Chief Executive Officer of Osiris Holding Corporation, a private consolidator of cemeteries and funeral homes of which Mr. Miller was a one-third owner, from November 1987 until March 1995, when Osiris was sold to The Loewen Group. Mr. Miller served as President and Chief Operating Officer of Morlan International, Inc., one of the first publicly traded cemetery and funeral home consolidators from 1982 until 1987, when Morlan was sold to Service Corporation International. Mr. Miller has been retained in this position due to his extensive experience in the death care industry, his expansive operations experience and acumen, his contacts within the death care community and his long tenure of service with us and our affiliates

William R. Shane has served as our Executive Vice President and Chief Financial Officer and on the Board of Directors of our general partner since our formation in April 2004 and had served as Executive Vice President and Chief Financial Officer of Cornerstone since March 1999 through April 2004. Prior to joining Cornerstone, Mr. Shane was employed by The Loewen Group, Inc., where he served as Senior Vice President of Finance for the Cemetery Division from March 1995 until January 1998. Prior to joining The Loewen Group, Mr. Shane served as Senior Vice President of Finance and Chief Financial Officer of Osiris Holding Corporation, which he founded with Mr. Miller, and of which he was a one-third owner. Prior to founding Osiris, Mr. Shane served as the Chief Financial Officer of Morlan International, Inc. Mr. Shane has been retained in this position due to his extensive experience in financial services and capital raising activities, his contacts within the death care and financial communities and his long tenure of service with us and our affiliates.

Additional Directors

A brief biography of all non-executive directors of our General Partner is included below:

Allen R. Freedman has served on the Board of Directors of our General Partner since our formation in April 2004, and had served as a director of Cornerstone since October 2000 through April 2004. Mr. Freedman retired in July 2000 from his position as Chairman and Chief Executive Officer of Fortis, Inc., a specialty insurance company that he started in 1979. He currently serves on the board of Assurant, Inc. (which was formerly known as Fortis, Inc.) and as trustee of the Eaton Vance Mutual Funds Group. He is also a founding director of the Association of Audit Committee Members, Inc. Mr. Freedman has been retained as a member of the Board of Directors of our General Partner due to his extensive financial and audit experience, his risk management experience and his experience on other boards.

Peter Grunebaum has served on the Board of Directors of our general partner since December 2004. Mr. Grunebaum, currently an independent investment banker and corporate consultant, was the Managing Director of Fortrend International, an investment firm headquartered in New York, New York, a position he held from 1989 until the end of 2003. Mr. Grunebaum currently serves as a director and is a member of the Executive Committee and Chairman of the Audit Committee of Pre Paid Legal Services, Inc., a NYSE listed company that provides legal service plans. Mr. Grunebaum also serves on the board of directors and is a member of the Audit Committee of Lucas Energy, Inc., a crude oil and gas company. Mr. Grunebaum has been retained as a member of the Board of Directors of our General Partner due to his extensive audit background, his experience with raising capital, his service with other public companies.

Robert B. Hellman, Jr. has served on the Board of Directors of our general partner since our formation in April 2004 and had served as a director of Cornerstone since March 1999 through April 2004. Mr. Hellman is the Chief Executive Officer and a Managing Director of McCown De Leeuw & Co., LLC, which he joined in 1987. McCown De Leeuw & Co., LLC is the sponsor of numerous private equity investment funds. Mr. Hellman was named Managing Director in 1991 and Chief Executive Officer in 2001. Mr. Hellman is also the co-founder and has been the Managing Director and Chief Executive Officer of the American Infrastructure MLP Funds, LLC, the sponsor of numerous private investment funds since July 2006. Mr. Hellman has been retained as a member

of the Board of Directors of our General Partner due to his involvement in our initial public offering, his extensive investment experience and his prior experience with raising capital.

Martin R. Lautman, Ph.D., has served on the Board of Directors of our general partner since our formation in April 2004 and as a director of Cornerstone since its formation in March 1999 through April 2004. Dr. Lautman is currently the Managing Director of Marketing Channels, Inc., a company that provides marketing and marketing research consulting services to the information industry. Most recently, he served as the President and CEO of GfK Custom Research North America, a division of a public worldwide marketing services company headquartered in Nuremburg, Germany. Prior to that he was the Senior Managing Director of ARBOR a U.S.-based marketing research agency, where he held several positions since 1974. He has also served with Numex Corporation, a public machine-tool manufacturing company, as President from 1987 to 1990 and as a director from 1991 to 1997. From 1986 to 2000, Dr. Lautman served on the Board of Advisors of Bachow Inc., a venture capital firm specializing in high-tech companies and software. He has continued his activities in venture capital serving as a venture partner for three early stage funds. Dr. Lautman is currently a board member for multiple family-owned businesses, including Faulkner Automotive, E.P. Henry, and A. Duie Pyle, a trucking company. Mr. Lautman has been retained as a member of the Board of Directors of our General Partner due to his involvement in numerous boards, his strategic planning experience and his capital raising background.

Fenton R. "Pete" Talbott has served on the Board of Directors of our general partner since our formation in April 2004 and had served as Chairman of the Board of Cornerstone since April 2000 through April 2004. Mr. Talbott served as the President of Talbott Advisors, Inc., a consulting firm, from January 2006 through January 2010. Mr. Talbott previously served as an operating affiliate of McCown De Leeuw & Co., LLC from November 1999 to December 2004. Additionally, he served as the Chairman of the Board of Telespectrum International, an international telemarketing and market-research company, from August 2000 to January 2001. Prior to 1999, Mr. Talbott held various executive positions with Comerica Bank, American Express Corporation, Bank of America and other entities. He currently serves as a board member of the Preventative Medicine Research Institute, Kansas University Board of Trustees and Christus/St. Vincent Hospital Foundation. Mr. Talbott has been retained as a member of the Board of Directors of our General Partner due to his extensive operational experience, his private consulting experience and his extensive professional contact base.

Howard L. Carver has served on the Board of Directors of our general partner since August 2005. Mr. Carver retired in June 2002 from Ernst & Young. During his 35-year career with the firm, Mr. Carver held a variety of positions in six U.S. offices, culminating with the position of managing partner responsible for the operation of the Hartford, Connecticut office. Since June 2002, Mr. Carver has served on the boards of directors of Assurant, Inc. (formerly Fortis, Inc.) and Phoenix National Trust Company (until its sale in April 2004) and has been the chair of the Audit Committee for both boards. Since September 2004, Mr. Carver had served on the board of directors of Open Solutions, Inc. and was the chair of that company's Audit Committee (until January 23, 2007 when Open Solutions, Inc was sold). Mr. Carver has been retained as a member of the Board of Directors of our General Partner due to his extensive financial and audit experience, his prior experience with raising capital, and his risk management background.

Additional Executive Officers (Non-Board Members)

A brief biography of additional executive officers is included below:

Michael L. Stache has served as our Senior Vice President and Chief Operating Officer since our formation in April 2004 and had served as Senior Vice President and Chief Operating Officer of Cornerstone since March 1999 through April 2004. Prior to joining Cornerstone, Mr. Stache was with Loewen Group International, Inc., a wholly owned subsidiary of The Loewen Group, Inc., between March 1995 and March 1999. Mr. Stache also

served as Vice President of Funeral Home Advanced Planning for the United States and Canada for The Loewen Group from January 1999 until he joined Cornerstone in March 1999. Mr. Stache previously served in several different capacities with The Loewen Group, including as Regional President of the North Central Region between 1996 and 1999 and Regional Vice President of Cemetery Operations in the Midwest between 1995 and 1996. Mr. Stache served as Vice President of Operations for Osiris Holding Corporation between 1994 and 1995 and as General Manager between 1988 and 1994.

Robert Stache has served as our Senior Vice President of Sales since our formation in April 2004 and had served in the same capacity with Cornerstone since March 1999 through April 2004. Mr. Stache was in charge of the North Central Region for The Loewen Group, Inc. for both funeral home and cemetery sales from 1996 to 1999. Mr. Stache joined The Loewen Group in 1995, when it acquired Osiris Holding Corporation, where Mr. Stache had been Vice President of Sales for the Cemetery Division. Mr. Stache joined Osiris in 1988 as Vice President of Sales for Colorado.

Paul Waimberg has served as our Vice President of Finance and Corporate Development since our formation in April 2004 and had served as Vice President of Finance of Cornerstone since March 1999 through April 2004. Mr. Waimberg was previously employed at The Loewen Group, Inc. from 1995 to 1999, where he was responsible for all accounting acquisition functions and internal and external financial reporting as Vice President of Cemetery Accounting. He had approximately 80 employees reporting to him who were responsible for all general ledger functions for 500 companies. Prior to joining The Loewen Group in 1995, he carried out all accounting responsibilities for Osiris Holding Corporation before it merged into The Loewen Group. Mr. Waimberg joined Osiris in July 1990 as its Controller.

Timothy K. Yost has been our Vice President of Financial Reporting and Investors Relations since November 2004. Prior to joining us, Mr. Yost was the Chief Financial officer of SpinCycle, Inc. a national chain of coin-operated laundromats. He began with that company in 1997. From October 1995 through May 1997, he was a controller for the Magellan Corporations, a real estate limited partnership syndicate specializing in the development and acquisition of multi-unit residential housing properties. From October 1991 through October 1995, Mr. Yost was the Head of Premium Accounting for Republic Western Insurance Company, a division of U-Haul International.

The GP LLC Agreement specifies that the directors of our general partner shall be elected by a plurality vote of the Class A units of our general partner, subject to the requirements described in footnote (1) to the table above. CFSI LLC holds all of the outstanding Class A units. CFSI LLC is controlled by the McCown De Leeuw funds. See also Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

Mr. Hellman holds positions with McCown De Leeuw & Co., LLC, whose sponsored investment funds together beneficially own 87.2% of CFSI LLC through the funds’ direct ownership of approximately 10.1% of the Class B units of CFSI LLC and indirectly through the funds’ ownership of approximately 90.8% of the membership interests in Cornerstone Family Services LLC, which owns 85% of the Class B units of CFSI LLC. CFSI LLC indirectly owns our 2% general partner interest. See Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” below.

Messrs. M. Stache and R. Stache are brothers.

Board Meetings and Committees

From January 1, 2009 to December 31, 2009, the Board of Directors of our general partner held four meetings. All directors then in office attended all of these meetings, either in person or by teleconference. We have standing Audit, Conflicts, Trust and Compliance, and Nominating, Compensation and Corporate Governance Committees of the Board of Directors of our general partner. The Board of Directors of our general

partner appoints the members of such committees. The Audit Committee has a written charter approved by the board, which is posted on our website at www.stonemor.com under the “Investor Relations” section. The current members of the committees, the number of meetings held by each committee from January 1, 2009 to December 31, 2009, and a brief description of the functions performed by each committee are set forth below:

Audit Committee (5 meetings)

The members of the Audit Committee are Messrs. Freedman (Chairman), Grunebaum and Carver. Messrs. Freedman, Carver and Grunebaum attended all meetings of the Audit Committee for the period noted above. The primary responsibilities of the Audit Committee are to assist the Board of Directors of our general partner in its general oversight of our financial reporting, internal controls and audit functions, and it is directly responsible for the appointment, retention, compensation and oversight of the work of our independent auditors. Messrs. Freedman, Carver and Grunebaum each qualify as “independent” under applicable standards established by the SEC and NASDAQ for members of audit committees.

In addition, the Audit Committee includes at least one member who is determined by the Board of Directors of our general partner to meet the qualifications of an “audit committee financial expert” in accordance with SEC rules, including that the person meets the relevant definition of an “independent” director. Mr. Freedman is the independent director who has been determined to be an audit committee financial expert. Unitholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Freedman’s experience and understanding with respect to certain accounting and auditing matters. The designation does not impose on Mr. Freedman any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and the Board of Directors of our general partner, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

Conflicts Committee (0 meetings)

The members of the Conflicts Committee are Messrs. Freedman (Chairman), Carver and Grunebaum. The primary responsibility of the Conflicts Committee is to review matters that the directors believe may involve conflicts of interest. The Conflicts Committee determines if the resolution of the conflict of interest is fair and reasonable to us. The members of the Conflicts Committee may not be officers or employees of our general partner or directors, officers, or employees of its affiliates and must meet the independence standards to serve on an audit committee of a board of directors established by NASDAQ and certain other requirements. Any matters approved by the Conflicts Committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties it may owe us or our unitholders.

Conflicts of interest may arise between us and our unitholders, on the one hand, and our general partner and its affiliates, including the McCown De Leeuw funds, on the other hand. These conflicts include decisions made by our general partner (such as the amount and timing of borrowings or whether to acquire additional cemeteries) that may result in our general partner receiving incentive.

Nominating, Compensation and Corporate Governance Committee (4 meetings)

The members of the Nominating, Compensation and Corporate Governance Committee are Messrs. Talbott (Chairman), Hellman, and Lautman. All the members attended all meetings of the committee for the period noted above. The primary responsibility of the Nominating, Compensation and Corporate Governance Committee is to oversee compensation decisions for the outside directors of our general partner and executive officers of our general partner (in the event they are to be paid by our general partner) as well as our long-term incentive plan, and to select and recommend nominees for election to the Board of Directors of our general partner.

Trust and Compliance Committee (4 meetings)

The members of the Trust and Compliance Committee are Messrs. Talbott (Chairman), Freedman, Grunebaum and Carver. Funds that are held in merchandise trusts and perpetual care trusts are managed by third-party investment managers within specified investment guidelines adopted by the Trust and Compliance Committee of our board of directors and standards imposed by state law.

These investment managers are monitored by third-party investment advisors selected by our Trust and Compliance Committee who advise the Trust and Compliance Committee on the determination of asset allocations, evaluate the investment managers and provide detailed monthly reports on the performance of each merchandise and perpetual care trust. All the members attended all meetings of the committee for the period noted above.

Code of Ethical Conduct for Financial Managers

We have adopted a Code of Ethical Conduct applicable to all of our financial managers, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Ethical Conduct for Financial Managers incorporates guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The Code of Ethical Conduct for Financial Managers is publicly available on our website under the “Investor Relations” section (at www.stonemor.com). If any amendments are made to the Code of Ethical Conduct for Financial Managers or if we or our general partner grants any waiver, including any implicit waiver, from a provision of the code to any of its financial managers, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Our general partner’s directors, officers and beneficial owners of more than 10 percent of common units are required to file reports of ownership and reports of changes in ownership with the SEC. Directors, officers and beneficial owners of more than 10% of our common units are also required to furnish us with copies of all such reports that are filed. Based on our review of copies of such forms and amendments, we believe that all of our directors, executive officers and greater than 10% beneficial owners complied with all filing requirements under Section 16(a) of the Exchange Act, except through inadvertence, during the year ended December 31, 2009, (i) a Form 4 reporting one transaction for each of Messrs. Carver , Freedman, Grunebaum, Hellman, Lautman and Talbott was not timely filed, (ii) two Forms 4 each relating to one transaction and one Form 4 relating to five transactions for Mr. Waimberg was not timely filed; and (iii) a Form 3 for Mr. David De Leeuw was not timely filed.

Item 11. Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

Our Compensation Process

Our business is managed by the directors, officers and employees of StoneMor GP LLC, our general partner. We have no employees of our own. Accordingly, all decisions relating to compensation of the executive officers and directors of our general partner are made by the board of directors of our general partner, which we refer to as the board. The Nominating, Compensation and Corporate Governance Committee of the board, which we refer to as the compensation committee, is responsible for making recommendations to the board regarding the compensation of executive officers and outside directors and for overseeing all executive officer compensation programs, plans and policies, including those involving the issuance of equity securities.

Our general partner does not receive any management fee or other compensation for managing our business, but is reimbursed by us for all expenses incurred on our behalf. These expenses include all expenses necessary or

appropriate to the conduct of our business and allocable to us. The partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us. All items of cash compensation reflected in the tables below were incurred on our behalf by our general partner and reimbursed by us.

Objectives and Overview of Our Compensation Programs

Our compensation programs are designed by the board and compensation committee to attract and retain high quality executive officers, to motivate them to achieve our business goals and to maximize the value of our unitholders' investment by aligning the interests of our executive officers with the interests of our unitholders. Our business goals are to increase our revenues, profits and cash distributions from existing operations, facilitate our growth through acquisitions, promote a cohesive team effort and provide a workplace environment that fosters compliance with the laws and regulations applicable to our business. Our compensation programs include short-term elements, such as annual base salary and annual incentive cash bonus, as well as longer term elements such as equity based awards. Our executive officers also receive health, disability and life insurance benefits and automobile allowances, and are entitled to defer a portion of their compensation pursuant to our 401(k) retirement plan. We do not match any contributions under that plan.

Our general partner has entered into written employment agreements, as amended, with four of our executive officers, Messrs. Miller, Shane, M. Stache and R. Stache. Each agreement is for an initial term of one-year and automatically extends for successive one year terms unless either party gives a 90 day written notice of non-renewal.

How the Elements of Our Executive Compensation Program Further Our Business Goals

The primary elements of our executive compensation program are described below. We have no formula for allocating between long or short-term compensation, cash or non-cash compensation, or among different forms of non-cash compensation, all of which allocations are determined in the discretion of the board and compensation committee.

Base Salary

Base salary is the guaranteed element of our executive officers' compensation. The amount of base salary reflects the subjective assessment of the compensation committee and board, taking into consideration, the experience of the executive, the competitive market for similarly skilled executives, the complexity of the executive's job, and our size, financial capabilities and business goals.

Annual Cash Incentive Bonus

Our annual cash incentive bonus program is designed to motivate our executives to achieve our short-term earnings growth and cash distribution goals. For 2009, our goal was to exceed a pre-determined level of earnings before depreciation, interest, taxes and amortization, or EBITDA. The amount earned under this program by each of our executive officers named in the Summary Compensation Table is set forth in such table under the caption "Non-Equity Incentive Plan Compensation". The aggregate bonus available for our executive officers in 2009 was allocated in proportion to their base salaries. The minimum EBITDA goal, the other elements of our annual cash incentive bonus program and the identity of the participants in the program were determined at the discretion of the board of directors and compensation committee, after considering the recommendations of our chief executive officer.

Long- Term Incentive Plan

Awards under our long-term incentive plan are designed to motivate our executives to remain employed by us for a sufficient period of time to achieve our longer term business goals and increase unit-holder value.

Unless otherwise specified in the award agreements, unvested awards under the long-term incentive plan are forfeited upon an executive's termination of employment. Pursuant to certain key employee restricted phantom unit agreements and unit appreciation rights agreements with our executives,, unvested awards under our long-term incentive plan are forfeited if employment terminates for any reason other than a change of control, death, permanent disability or retirement at age 65, in certain agreements, or other age approved by the compensation committee. The grant of awards under our long-term incentive plan is made at the discretion of the board of directors after considering recommendations of the compensation committee and our chief executive officer.

The 2009 awards made under our long-term incentive plan to our executive officers were awards of restricted phantom units, which become payable, in cash or common units, at our election, upon the separation of the executive from service or upon the occurrence of certain other events specified in the applicable agreement and unit appreciation rights, which vest ratably over a period of approximately four years. We made no such grants in either 2008 or 2007.

The board does not have a program, plan or practice to time grants of awards in coordination with release of material non-public information. The grants of awards made in 2009 to our named executive officers were made at the same time as grants to other employees, and the timing of such awards was determined in the discretion of the board and compensation committee.

Severance Payments

The employment agreements for each of Messrs. Miller, Shane, M. Stache and R. Stache, which were entered into in 2004 and since amended, provide for severance payments in the amount of 2.5 times base salary in the event an executive's employment is terminated by our general partner without cause or by the executive for good reason. In that circumstance, all of the executive's unvested equity awards will vest and the executive will be entitled to the continuation of insurance benefits for an agreed period or a cash equivalent (see "Employment Agreements"). The amount of the severance payment and other benefits provided for in the employment agreements were determined by negotiation between the board and each of the executives and reflects the board's belief at the time such agreements were entered into that the amounts of such payments and benefits and the circumstances under which they would be paid or provided were reasonable. We do not provide cash payments to executives that are triggered by a change of control of our company or our general partner, but upon such a change of control all of our executives' unvested equity awards will vest.

Perquisites

The perquisites provided to our executive officers are described in Footnote 3 to the Summary Compensation Table. All such perquisites are provided in accordance with the executives' employment agreements, except that Mr. Strom, who does not have a written employment agreement, receives perquisites that are identical to those provided to M. Stache and R. Stache.

Executive Pay Parity

We provide each of Messrs. Miller (our CEO, President and Chairman) and Shane (our Executive Vice President, Chief Financial Officer and Director) with identical salaries, bonuses, long-term incentives and perquisites, and we provide each of Messrs. M. Stache (our Senior Vice President and Chief Operating Officer) and R. Stache (our Senior Vice President—Sales) with identical salaries, bonuses and long-term incentives and perquisites. The board and compensation committee believe that pay parity among similar level executives fosters team work and minimizes internal dissension.

Other Matters

The compensation committee and board did not engage outside compensation consultants in 2009 but did consider available comparable company data in making compensation related decisions in 2009. The board has

not established a policy for the adjustment of any compensation award or payment if the relevant performance measures on which they are based are restated or adjusted. The board has not established any security ownership guidelines for executive officers and considered the existing equity ownership levels of recipients of awards made during 2009. The board considered the impact of accounting and tax treatments to us and the recipients in granting awards in 2009 under our long-term incentive plan.

COMPENSATION COMMITTEE REPORT

The Compensation, Nominating and Corporate Governance Committee of the board of directors of our general partner has reviewed and discussed with management the Compensation Discussion and Analysis for the year ended December 31, 2009. Based on such review and discussions, the Compensation, Nominating and Corporate Governance Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K and our proxy statement, as applicable.

This Compensation Committee Report shall not be deemed incorporated by reference in any document previously or subsequently filed with the SEC that incorporates by reference all or any portion of this Annual Report on Form 10-K or our proxy statement, as applicable, except to the extent that we specifically request that the report be incorporated by reference.

By the Compensation, Nominating and Corporate Governance Committee.

Fenton R. Talbott, Chairman

Robert B. Hellman, Jr.

Martin R. Lautman

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation awarded to, earned by, or paid to our chief executive officer, our chief financial officer and our three other most highly compensated executive officers, referred to as named executive officers, for all services rendered in all capacities to us and our subsidiaries.

Name and Principal Position	Year	Salary ($)	Unit Awards (1) ($)	Unit Option Awards (1) ($)	Non-equity Incentive Plan Compensation (2) ($)	All other Compensation (3) ($)	Total ($)
Lawrence Miller	2009	$392,308(4)	$188,000	$418,500	$ —	$ 14,686	$1,013,494(5)
Chief Executive Officer, President	2008	$400,000(4)	$ —	$ —	$ —	$ 13,200	$ 413,200(5)
and Chairman of the Board	2007	$378,000(4)	$ —	$ —	$ 373,074	$ 13,200	$ 764,274(5)
William R. Shane	2009	$392,308(4)	$188,000	$418,500	$ —	$ 14,715	$1,013,523(5)
Executive Vice President, Chief	2008	$400,000(4)	$ —	$ —	$ —	$ 13,200	$ 413,200(5)
Financial Officer and Director	2007	$378,000(4)	$ —	$ —	$ 373,074	$ 13,200	$ 764,274(5)
Michael L. Stache	2009	$279,519(4)	$ —	$179,250	$ —	$ 13,000	$ 471,769(5)
Senior Vice President and Chief	2008	$285,000(4)	$ —	$ —	$ —	$ 12,000	$ 297,000(5)
Operating Officer	2007	$270,000(4)	$ —	$ —	$ 266,482	$ 12,000	$ 548,482(5)
Robert Stache	2009	$279,519(4)	$ —	$179,250	$ —	$ 13,000	$ 471,769(5)
Senior Vice President—Sales	2008	$285,000(4)	$ —	$ —	$ —	$ 12,000	$ 297,000(5)
	2007	$270,000(4)	$ —	$ —	$ 266,482	$ 12,000	$ 548,482(5)
Paul Waimberg	2009	$175,698(4)	$ —	$ 59,750	$ —	$ —	$ 235,448(5)
Vice President—Finance and Corporate Development							
Gregg Strom (6)	2009	$234,112(4)	$ —	$ 11,950	$ —	$ 13,000	$ 259,062(5)
Vice President—Business	2008	$238,702(4)	$ —	$ —	$ —	$ 12,000	$ 250,702(5)
Development	2007	$231,750(4)	$ —	$ —	$ 110,170	$ 12,000	$ 353,920(5)

(1) Represents the aggregate grant date fair value of awards made during the year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 referred to as “ASC Topic 718” based on the assumptions set forth in Note 11 to the consolidated financial statements included in our Annual Report on Form 10 K. In 2009, Messrs. Miller and Shane each received 10,000 Restricted Phantom Units with an aggregate fair value of $188,000 and 175,000 Unit Appreciation Rights with an aggregate fair value of $418,250, Messrs. William and Michael Shane each received 75,000 Unit Appreciation Rights with an aggregate fair value of $179,250 Mr. Wamberg received 25,000 unit appreciation rights with an aggregate fair value of $59,750 and Mr. Strom received 5,000 Unit Appreciation Rights with an aggregate fair value of $11,950.

(2) Non-equity incentive compensation is payable pursuant to our annual cash incentive bonus program, which provides that certain of our employees, including the named executive officers, will be paid a bonus if our EBITDA exceeds a goal established by the Board of Directors of our general partner. See the discussion below under “2009, 2008 and 2007 Cash Incentive Plan”.

(3) Amount of auto allowance. Includes $386 and $415 in expenses related to the travel of the spouses of Messrs. Miller and Shane, respectively, on business trips.

(4) Base salary is payable pursuant to the terms of an employment agreement effective as of September 20, 2004. (See “Employment Agreements”)

(5) For information regarding cash distributions that may be received by our named executive officers by reasons of their ownership interests in our general partner or its affiliates see “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Unit-holder Matters” and “Item 13. Certain Relationships and Related Transactions, and Director Independence”.

(6) Mr. Strom served as an executive officer until November of 2009.

2009, 2008 and 2007 Plan

The Cash Incentive Plan amount shown in the Summary Compensation Table above is equal to the amount distributed under our Annual Cash Incentive Program. Payments under this plan are based upon attaining an internally generated calculation of EBITDA."

The table below details the target EBITDA and bonus amounts granted to each named executive for the years ended December 31, 2009, 2008 and 2007.

	For the year ended December 31,								
	2009			2008			2007		
	Target EBITDA	Actual EBITDA	Bonus paid	Target EBITDA	Actual EBITDA	Bonus paid	Target EBITDA	Actual EBITDA	Bonus paid
Lawrence Miller	$55,242,000	$46,201,000	$—	$54,290,000	$47,351,000	$—	$34,386,000	$40,864,000	$373,074
William Shane	$55,242,000	$46,201,000	$—	$54,290,000	$47,351,000	$—	$34,386,000	$40,864,000	$373,074
Michael Stache	$55,242,000	$46,201,000	$—	$54,290,000	$47,351,000	$—	$34,386,000	$40,864,000	$266,482
Robert Stache	$55,242,000	$46,201,000	$—	$54,290,000	$47,351,000	$—	$34,386,000	$40,864,000	$266,482
Paul Waimberg	$55,242,000	$46,201,000	$—	$54,290,000	$47,351,000	$—	$34,386,000	$40,864,000	$103,728
Gregg Strom	$55,242,000	$46,201,000	$—	$54,290,000	$47,351,000	$—	$34,386,000	$40,864,000	$110,170

Total EBITDA generated for the years ended December 31, 2009, 2008 and 2007 were approximately $46.2 million, $47.6 million and $40.9 million, respectively. The 2009 and 2008 amount was below our target levels of approximately $55.2 million and $54.3 million during each of these years and accordingly we paid no bonus in either of these years. The 2007 amount was above the target level of approximately $34.4 million and accordingly we paid a bonus of approximately $1.5 million to these executives during this year.

The EBITDA measurement utilized for our Annual Cash Incentive Program is a non-GAAP financial measure. The table below reconciles Net Income as shown in our Consolidated Statement of Operations (the GAAP measure we believe most closely reconciles to this calculation of EBITDA) to EBITDA used in our calculation of our Annual Cash Incentive Program:

	For the year ended December 31,		
	2009	2008	2007
	(amounts in thousands)		
Net income (loss)	$ (1,077)	$ 4,556	$ 2,786
Expenses (revenues) incurred (earned) due to a change in accounting principle	2,292	—	—
Interest expense	14,409	12,714	9,075
Total income taxes	(1,954)	80	625
Depreciation and amortization	6,390	5,029	3,891
Amortization of cemetery property	5,864	6,368	5,791
Non-cash unit-based compensation	1,576	2,262	4,741
(Gains) losses from the sale or purchase of certain defined assets	(4,869)	—	—
Other non-cash (gains) losses	4,923	—	—
Increase in deferred cemetery revenues (a)	26,633	25,720	17,428
Increase in deferred selling expenses	(7,987)	(9,378)	(3,473)
EBITDA	$46,201	$47,351	$40,864

(a) The increase in deferred revenues does not directly tie to the changes in deferred cemetery revenues, net, that can be calculated by comparing our balance sheet position at different points in time. This is because deferred cemetery revenues, net, as presented on our balance sheet also includes deferred unrealized gains and losses on our merchandise trust assets. These changes are not included in net income.

Table of Contents

Grants of Plan-Based Awards During Year Ended December 31, 2009

The following table sets forth information regarding grants of plan-based awards to our named executive officers during the year ended December 31, 2009.

Name	Grant date	All other unit awards: Number of Shares of units	All other option awards: Number of Securities underlying Options	Exercise or Base Price of Option Awards	Closing Market Price on Date of Grant	Grant Date Fair Value of Unit and Option Awards
Lawrence Miller	16-Dec-09	10,000	—	n/a	$19.15	188,000
Lawrence Miller	16-Dec-09	—	175,000	$ 18.80	$19.15	418,250
William R. Shane	16-Dec-09	10,000	—	n/a	$19.15	188,000
William R. Shane	16-Dec-09	—	175,000	$ 18.80	$19.15	418,250
Michael L. Stache	16-Dec-09	—	75,000	$ 18.80	$19.15	179,250
Robert Stache	16-Dec-09	—	75,000	$ 18.80	$19.15	179,250
Paul Waimberg	16-Dec-09	—	25,000	$ 18.80	$19.15	59,750
Gregg Strom	16-Dec-09	—	5,000	$ 18.80	$19.15	11,950

Represents the aggregate grant date fair value of awards computed in accordance with ASC Topic 718, based on assumptions set forth in Note 11 to the consolidated financial statements included in our Annual Report on Form 10-K.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2009

The following table sets forth information with respect to outstanding equity awards at December 31, 2009 for our named executive officers.

	Option Awards				Unit Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of shares or units That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested
Lawrence Miller	1,823	173,177(2)	$18.80	12/16/2014	40,750	$804,813
William R. Shane	1,823	173,177(2)	$18.80	12/16/2014	40,750	$804,813
Michael L. Stache	781	74,219(2)	$18.80	12/16/2014	22,250	$439,438
Robert Stache	781	74,219(2)	$18.80	12/16/2014	22,250	$439,438
Paul Waimberg	10,000	—	$24.14	11/27/2011	6,000	$118,500
Paul Waimberg	260	24,740(2)	$18.80	12/16/2014	—	n/a
Gregg Strom	10,000	—	$24.14	11/27/2011	6,000	$118,500
Gregg Strom	52	4,948(2)	$18.80	12/16/2014	—	n/a

(1) Pursuant to an executive restricted phantom unit agreement entered into under our long-term incentive plan, on December 16, 2009, Messrs. Miller and Shane each received 10,000 phantom units. The phantom units become payable, in cash or common units, at our election, upon the separation of the executive from service as an executive of our general partner or upon the occurrence of certain other events. The market value has been computed by multiplying the closing price of the common units on December 31, 2009 by the number of unvested units. Pursuant to key employee restricted phantom unit agreements entered into under our long-term incentive plan, on November 8, 2006, Messrs. Miller and Shane each hold 10,750 time-vested and 20,000 performance vested units, Messrs. M. Stache and R. Stache each hold 8,250 time-vested and 14,000 performance vested units, and Mr. Strom and Mr. Waimberg each hold 2,500 time-vested and 3,500 performance vested units, which have not vested, as set forth in their respective key employee restricted phantom unit agreements.

(2) Pursuant to a unit appreciation rights agreement entered into under our long-term incentive plan, on December 16, 2009, Messrs. Miller, Shane, M. Stache, R. Stache, Waimberg and Strom were each granted 175,000, 175,000, 75,000, 75,000, 25,000 and 5,000 unit appreciation rights, respectively. The UARs entitle each executive to receive, in our whole common units, the excess of the fair value of the common unit on the exercise date over the base exercise price of $18.80, which was the last trading price according to yahoo.finance.com of a common unit immediately preceeding the grant. The UAR's vest ratably over a period of 48 months beginning on the grant date.

(3) Pursuant to a unit appreciation rights agreement entered into under our long-term incentive plan, on November 27, 2006, Messrs. Waimberg and Strom were each granted 10,000 performance vested unit appreciation rights. The UARs entitle them to receive, in our whole common units, the excess of the fair value of the common unit on the exercise date over the base exercise price of $24.14, which was the last trading price according to yahoo.finance.com of a common unit immediately preceeding the grant. All UAR's were vested and unexercised at December 31, 2009.

EMPLOYMENT AGREEMENTS

The following is a summary of the material provisions of the employment agreements between our general partner and Messrs. Miller, Shane, M. Stache and R. Stache.

The employment agreements contemplate that each employee will serve as an officer of our general partner. Each of the employment agreements has an initial term that expires one year from the effective date, but is automatically extended for successive one-year terms unless either party gives written notice of non-renewal 90 days prior to the end of the term.

The employment agreements provide for a base annual salary of $350,000 for each of Messrs. Miller and Shane and $250,000 for each of Messrs. M. Stache and R. Stache, subject to increase in the discretion of our general partner. In addition, each employee is eligible to receive an annual bonus award based upon satisfaction of mutually agreed upon targets established by our general partner and approved by the board of directors of our general partner or the compensation committee of our general partner. If no targets are established, the employee may, at the discretion of our general partner, receive a bonus of up to 50% of base salary for meeting budgeted goals. The employee is also entitled to participate in other discretionary bonus or performance-based bonus programs for senior executives, as determined by the compensation committee of our general partner, including unit incentive plans adopted by our general partner.

If the employee’s employment is terminated without cause or if the employee resigns for good reason, the employee will be entitled to severance in an amount equal to the product of employee’s base salary at the time of termination or resignation and 2.5. The employment agreements of Messrs. Miller and Shane define cause as (a) fraud, willful misconduct or gross negligence by the employee that materially adversary affects our reputation or the reputation of our general partner and continues after notice and, if requested by the employee, an opportunity to be heard, or (b) any chemical dependence that materially adversely affects the employee’s performance of his duties and responsibilities and for which the employee fails to undertake and maintain treatment. The employment agreements of Messrs. M. Stache and R. Stache define cause as (a) the gross neglect or willful failure by the employee to perform his duties and responsibilities as set forth in the employment agreement, which is not cured within thirty days of notice to the employee; (b) any act of fraud by the employee, whether relating to our general partner or otherwise; (c) the conviction or entry into a plea of nolo contendere by the employee with respect to any felony or misdemeanor (other than a traffic offense which does not result in imprisonment); (d) the commission by the employee of any willful or intentional act (including any violation of law) which materially injures the reputation or materially adversely affects the business or business relationships of our general partner; or (e) any willful failure or willful breach (not covered by any of clauses above) of any of the material obligations of the employment agreement. An employee will be deemed to have terminated his employment for good reason if, among other things, such employee resigns after the location of the principal office of our general partner is moved outside a 75-mile radius of its former location in Bristol, Pennsylvania; the employee is removed from his executive position; the employee has a material change in duties or compensation, or our general partner willfully breaches the employment agreement.

During the employee’s employment period and for one year thereafter, the employee is generally prohibited from engaging in any business that competes with our general partner in areas in which our general partner conducts business as of the date of termination. During the employee’s employment period and for two years thereafter, the employee is generally prohibited from soliciting or inducing any of our employees to terminate their employment with us or accept employment with anyone else or interfere in a similar manner with our business. The non-competition period may terminate earlier as determined by the board of directors of our general partner if (a) the employee is terminated other than for cause and (b) such termination does not occur

within 30 days after a change in control. The employment agreements define a “change in control” as including (i) a bona fide sale of all or substantially all of the assets of our general partner to any person or entity other than an affiliate, (ii) a merger, reorganization, consolidation or other transaction where more than 50% of the combined voting power of the equity interests in our general partner ceases to be owned by certain persons who own such interests at the effective date of the employment agreement or (iii) the acquisition of 40% or more of the equity interests in our general partner by any person not currently part of the ownership of our general partner, except where the person is an employee benefit fund or one who effects the purchase at the request of or with the approval of the board of directors of our general partner.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

The following table describes the potential payments and benefits under the employment agreements and agreements relating to awards granted under our long-term incentive plan to which the named executive officers would be entitled upon termination of employment if our general partner terminated their employment without cause or if the executive terminates for good reason, assuming the termination took place on December 31, 2009. A change of control of our general partner or of us would not trigger severance payments but would accelerate the vesting of the outstanding unvested awards granted under our long-term incentive plan.

	Cash Severance Payment ($) (1)	Continuation of Medical/Welfare Benefits (Present Value) ($) (2)	Acceleration and Continuation of Equity Awards (Unamortized Expense as of December 31, 2009 ($) (3)	Excise Tax Gross Up ($) (1)	Total Termination Benefits ($)
Lawrence Miller	$ 1,000,000	$ 27,523	$ 363,750	$ —	$1,391,273
William R. Shane	$ 1,000,000	$ 27,523	$ 363,750	$ —	$1,391,273
Michael L. Stache	$ 712,500	$ 21,333	$ 71,250	$ —	$ 805,083
Robert Stache	$ 712,500	$ 21,333	$ 71,250	$ —	$ 805,083
Paul Waimberg	$ —	$ —	$ 23,750	$ —	$ 23,750
Gregg Strom	$ —	$ —	$ 4,750	$ —	$ 4,750

(1) Messrs. Miller, Shane, M. Stache and R. Stache are each entitled to 2.5 times their base annual salary. The 2009 base salary amount disclosed in the executive compaensation table included a reduction for a 2009 furlough program. The cash severance benefit does not get reduced for the 2009 furlough program.

(2) Messrs. Miller, Shane, M. Stache and R. Stache are each entitled to continued coverage under our medical insurance program for two years.

(3) At December 31, 2009, Messrs. Miller and Shane each held 10,000 deferred executive phantom units. Messrs. Miller, Shane, M. Stache, R. Stache, Waimberg and Strom each had 175,000, 175,000, 75,000, 75,000, 25,000 and 5,000 UAR's for which the strike price was $18.80. The amount calculated hereunder is based upon the fair value of our outstanding common units at December 31, 2009 ($19.75). The fair value of Messrs. Miller and Shane's deferred executive phantom units is equal to the total units outstanding multiplied by the December 31, 2009 fair value of our common units. The value of all UAR's is equaled to the total UAR's granted multiplied by the remainder of the fair value of our common units at December 31, 2009 less their strike price ($18.80).

DIRECTOR COMPENSATION

The following table sets forth compensation information for 2009 for each member of our general partner's board of directors who is not also an executive officer. Our executive officers do not receive additional compensation for serving on the board. See "Summary Compensation Table" for disclosures related to our executive-officer directors, Lawrence Miller and William R. Shane.

	Fees Earned Or Paid In Cash ($)	Unit Awards ($) (2) (3)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Howard Carver (1)	$ 33,250	$27,687	$35,850	$ —	$ —	$ —	$ 96,787
Allen Freedman (1)	$ 43,250	$29,660	$35,850	$ —	$ —	$ —	$108,760
Peter Grunebaum (1)	$ 33,250	$29,112	$35,850	$ —	$ —	$ —	$ 98,212
Robert B. Hellman, Jr. (1)	$ 22,125	$14,820	$35,850	$ —	$ —	$ —	$ 72,795
Martin R. Lautman (1)	$ 29,500	$29,660	$35,850	$ —	$ —	$ —	$ 95,010
Fenton R. Talbott (1)	$ 37,500	$29,660	$35,850	$ —	$ —	$ —	$103,010

(1) Each board member receives an annual cash retainer of $22,500, an annual retainer in deferred restricted phantom units of $12,500, a meeting fee of $1,000 for each meeting of the board of directors attended in person and $750 for each committee meeting attended in person, a fee of $500 for participation in each telephone board call that is greater than one hour, but less than two hours, and $1,000 for participation in each telephone board call that is two hours or more.

(2) During 2009, each of Messrs. Carver, Freedman, Grunebaum, Hellman, Lautman and Talbott were awarded a total of 873.6392 deferred restricted phantom units in payment of the portion of their annual retainer. The deferred restricted phantom units are credited to a mandatory deferred compensation account established for each such person. For each deferred restricted phantom unit in such account, we credit the account, solely in additional deferred restricted phantom units, an amount of distribution equivalent rights so as to provide the deferred restricted phantom unit holders a means of participating on a one-for-one basis in distributions made to holders of our common units. In 2009, Messrs. Freedman, Lautman and Talbott were each credited with an additional 1074.01 deferred restricted phantom units, Mr. Grunebaum was credited with an additional 1039.53 deferred restricted phantom units, Mr. Carver was credited with an additional 949.82 deferred restricted phantom units and Mr. Hellman was credited with an additional 59.77 deferred restricted phantom units pursuant to their distribution equivalent rights. In addition to these amounts, Messrs. Freedman, Lautman and Talbott each own an additional 6,848.59 deferred restricted phantom units, Mr. Grunebaum owns an additional 6,617.60 deferred restricted phantom units and Mr. Carver owns an additional 6,016.63 deferred restricted phantom units, in each case received in connection with their annual directors compensation for years prior to 2009. Accordingly, at December 31, 2009, the aggregate number of awards outstanding for each of our non-employee directors was 8,796.24 for each of Messrs. Freedman, Lautman and Talbott, 8,530.77 for Mr. Grunebaum, 7,840.09 for Mr. Carver and 933.41 for Mr. Hellman. Payments to participants of the participant's mandatory deferred compensation account will be made on the earlier of (i) separation of the participant from service as a director, (ii) disability, (iii) unforeseeable emergency, (iv) death, or (v) change of control of our company or our general partner Participants will be paid at our election in our common units or cash. See Note 11 of our Consolidated Financial Statements regarding assumptions we used underlying the valuation of equity awards.

(3) See the table below:

The grant date fair value of each grant awarded to each director of our General Partner who was not also an Executive Officer of Our General Partner is as follows:

		Fair value of units granted					
Grant date	Fair Value per Unit	Allen Freedman	Martin Lautman	Fenton Talbott	Peter Grunebaum	Robert Hellman	Howard Carver
2/11/2009	$ 14.19	$ 3,764	$ 3,764	$ 3,764	$ 3,637	$ —	$ 3,307
3/3/2009	$ 10.50	$ 3,125	$ 3,125	$ 3,125	$ 3,125	$ —	$ 3,125
5/12/2009	$ 15.15	$ 3,142	$ 3,142	$ 3,142	$ 3,142	$ —	$ 3,142
5/15/2009	$ 16.32	$ 4,402	$ 4,402	$ 4,402	$ 4,259	$ —	$ 3,889
6/23/2009	$ 14.98	$ —	$ —	$ —	$ —	$ 7,840	$ —
8/14/2009	$ 15.61	$ 4,375	$ 4,375	$ 4,375	$ 4,237	$ 290	$ 3,879
9/17/2009	$ 16.27	$ 3,172	$ 3,172	$ 3,172	$ 3,172	$ 3,172	$ 3,172
11/10/2009	$ 17.94	$ 3,116	$ 3,116	$ 3,116	$ 3,116	$ 3,116	$ 3,116
11/11/2009	$ 17.64	$ 4,564	$ 4,564	$ 4,564	$ 4,424	$ 402	$ 4,058
12/16/2009 (1)	$ 2.39	$35,850	$35,850	$35,850	$ 35,850	$35,850	$35,850
Total		$65,510	$65,510	$65,510	$ 64,962	$50,670	$63,537

LONG-TERM INCENTIVE PLAN

Our general partner has adopted the StoneMor Partners L.P. Long-Term Incentive Plan, as amended for its employees, consultants and directors, who perform services for us. The long-term incentive plan permits the grant of awards covering an aggregate of 624,000 common units in the form of unit options, unit appreciation rights, restricted units and phantom units. The plan is administered by the compensation committee of our general partner's board of directors. The plan will continue in effect until the earliest of (i) the date determined by the board of directors of our general partner; (ii) the date that common units are no longer available for payment of awards under the plan; or (iii) the tenth anniversary of the plan.

Our general partner's board of directors or compensation committee may, in their discretion, terminate, suspend or discontinue the long-term incentive plan at any time with respect to any units for which a grant has not yet been made. Our general partner's board of directors also has the right to alter or amend the long-term incentive plan or any part of the plan from time to time, including increasing the number of units that may be delivered in accordance with awards under the plan, subject to any approvals if required by the exchange upon which the common units are listed at that time. No change in any outstanding grant may be made, however, that would materially impair the rights of the participant without the consent of the participant.

Restricted Units and Phantom Units

A restricted unit is a common unit that is subject to forfeiture. Upon vesting, the grantee receives a common unit that is not subject to forfeiture. A phantom unit is a notional unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit, or, in the discretion of the compensation committee, cash equivalent to the fair market value of a common unit. The compensation committee may make grants of restricted units and phantom units under the plan to employees, consultants and directors containing such terms as the compensation committee shall determine under the plan, including the period over which restricted units and phantom units granted will vest. The committee may, in its discretion, base its determination on the grantee's period of service or upon the achievement of specified financial objectives. In addition, the restricted and phantom units will vest upon a change of control of us, or our general partner, subject to additional or contrary provisions in the award agreement.

If a grantee's employment, consulting arrangement or membership on the board of directors terminates for any reason, the grantee's restricted units and phantom units will be automatically forfeited unless, and to the extent, the compensation committee provides otherwise or unless otherwise provided in an award agreement. Common units to be delivered with respect to these awards may be common units acquired by our general partner in the open market, common units acquired by our general partner directly from us or any other person or any combination of the foregoing. Our general partner will be entitled to reimbursement by us for the cost incurred in acquiring common units. If we issue new common units with respect to these awards, the total number of common units outstanding will increase.

Distributions on restricted units may be subject to the same vesting requirements as the restricted units, in the compensation committee's discretion. The compensation committee, in its discretion, may also grant tandem distribution-equivalent rights with respect to phantom units. These are rights that entitle the grantee to receive cash equal to the cash distributions made on the common units. The compensation committee, in its discretion, may also grant tandem unit distribution rights with respect to restricted units, which entitle the grantee to distributions we make with respect to our restricted units.

We intend for the issuance of the common units upon vesting of the restricted units and phantom units under the plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units. Therefore, plan participants will not pay any consideration for the common units they receive, and we will receive no remuneration for the units.

Unit Options and Unit Appreciation Rights

The long-term incentive plan permits the grant of options and unit appreciation rights ("UARs") covering common units. A UAR entitles the grantee to a payment in cash or units, in the discretion of the compensation committee, equal to the appreciation of the unit price between the grant date and the exercise date. The compensation committee may make grants under the plan to employees, consultants and directors containing such terms, as the committee shall determine, including the grant of tandem distribution-equivalent rights. It is our intention not to issue Unit Options and UARs with an exercise price less than the fair market value of the units on the date of the grant. In general, unit options and UARs granted will become exercisable over a period determined by the compensation committee and, in the compensation committee's discretion, may provide for accelerated vesting upon the achievement of specified performance objectives. In addition, unless otherwise provided in an award agreement, the unit options and UARs will become exercisable upon a change in control of us or our general partner. Unless otherwise provided in an award agreement, unit options and UARs may be exercised only by the participant during his lifetime or by the person to whom the participant's right will pass by will or the laws of descent and distribution.

If a grantee's employment, consulting arrangement or membership on the board of directors terminates for any reason, the grantee's unvested options and UARs will be automatically forfeited unless, and to the extent, the compensation committee provides otherwise or unless otherwise provided in an award agreement. Upon exercise of a unit option or UAR, the general partner will acquire common units in the open market or directly from us or any other person or any combination of the foregoing. The general partner will be entitled to reimbursement by us for the difference between the cost incurred by it in acquiring these common units and proceeds it receives from a grantee at the time of exercise. Thus, the cost of the unit options and UARs above the proceeds from grantees will be borne by us. If we issue new common units upon exercise of the unit options, the total number of common units outstanding will increase, and our general partner will pay us the proceeds it received from the grantee upon exercise of the unit option.

The plan has been designed to furnish additional compensation to our employees, consultants and directors and to align their economic interests with those of common unit holders. Awards may be granted under the plan in substitution of similar awards held by individuals who become our employees, consultants or directors as a result of an acquisition. These substitute awards may have exercise prices less than the fair market value of a common unit on the date of substitution.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the persons who served as members of the Nominating, Compensation and Corporate Governance Committee (Fenton R. Talbott, Robert B. Hellman, Jr. or Martin R. Lautman) in 2009 has ever been an officer or other employee of our company, or has any relationship requiring disclosure under Item 404 of Regulation S-K other than as described in "Item 13. Certain Relationships and Related Transactions, and Director Independence."

Additionally, there were no compensation committee "interlocks" during 2009, which generally means that none of executive officers of our general partner served as a director or member of the compensation committee of another entity, one of whose executive officers served as a director or member of the Nominating, Compensation and Corporate Governance Committee of the board of directors of our general partner.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of March 1, 2010, the beneficial ownership of the common units of StoneMor as of March 1, 2010 held by beneficial owners of 5% or more of the units, by directors and named executive officers of our general partner and by all directors and executive officers of our general partner as a group. Unless otherwise indicated, the address for each unitholder is c/o StoneMor Partners L.P., 311 Veterans Highway, Suite B, Levittown, PA 19056. Unless otherwise indicated, the beneficial owner named in the table is deemed to have sole voting and sole dispositive power of the units set forth opposite such beneficial owner's name.

Name of Beneficial Owner	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned
CFSI LLC (1)(2) 311 Veterans Highway Levittown, PA 19056	2,119,891	15.7%
MDC Management Company IV, LLC (1)(2)(3) 950 Tower Lane, Suite 800 Foster City, CA 94404	2,119,891	15.7%
George McCown (2)(3)(4) 950 Tower Lane, Suite 800 Foster City, CA 94404	2,124,891	15.7%
David De Leeuw (2)(3)(4) 535 Madison Avenue 4th Floor New York NY 10022	2,119,891	15.7%
McCown De Leeuw & Co. IV, L.P. and affiliated funds (1)(2) 950 Tower Lane, Suite 800 Foster City, CA 94404	2,119,891	15.7%
Cornerstone Family Services LLC (2) 155 Rittenhouse Circle Bristol, PA 19007	2,119,891	15.7%
Lawrence Miller (5)(8)	144,450	1.1%
William R. Shane (6)(8)	144,450	1.1%
Michael Stache (8)	51,894	*
Robert Stache (8)	51,894	*
Paul Waimberg (8)	9,596	*
Gregg Strom (8)	12,847	*
Allen R. Freedman (7)(8)	27,148	*
Robert B. Hellman, Jr. (2)(3)(4)(8)	2,124,907	15.7%
Martin R. Lautman, Ph.D. (8)	93,577	*
Fenton R. Talbot (8)	25,183	*
Peter Grunebaum (8)	6,666	*
Howard L. Carver (8)	4,576	*
Timothy Yost (8)	10,033	*
All directors and executive officers as a group (12 persons)	2,712,215	20.1%

* Less than one percent

(1) Our general partner's LLC Agreement provides that the directors of our general partner will be elected by a plurality vote of Class A units in our general partner; provided however, that so long as Mr. Miller serves as the Chief Executive Officer of our general partner, he will also serve as a director of our general partner, and so long as Mr. Shane serves as Chief Financial Officer of our general partner, he will also serve as a director of our general partner. CFSI LLC holds all of the outstanding Class A units in our general partner. CFSI LLC is controlled by the McCown De Leeuw funds. See note (4).

(2) CFSI, LLC, McCown De Leeuw & Co. IV, L.P., McCown De Leeuw & Co. IV Associates, L.P., Delta Fund LLC, MDC Management Company IV, LLC, Robert Hellman, Jr., George McCown, David De Leeuw and Cornerstone Family Services LLC filed a Schedule 13D with the SEC on November 23, 2009. The information included in this table for such persons is based on the information disclosed in this Schedule 13D.

(3) MDC Management Company IV, LLC is the general partner of McCown De Leeuw & Co. IV, L.P. and McCown De Leeuw & Co. IV Associates, L.P. and therefore may be deemed to beneficially own all units beneficially owned by these entities. Certain key investment decisions are made by the unanimous consent of the managing members of MDC Management Company IV, LLC, who are George McCown, David De Leeuw and Robert B. Hellman, Jr.

(4) Includes 2,119,891 common units held by CFSI LLC and beneficially owned by McCown De Leeuw & Co. IV, L.P. and its affiliated funds, of which Messrs. Hellman, McCown and De Leeuw may be deemed to be the beneficial owners as managing members of MDC Management Company IV, LLC, which controls McCown De Leeuw & Co. IV, L.P. and McCown De Leeuw & Co. IV Associates, L.P. Therefore, Messrs. Hellman, McCown and De Leeuw may be deemed to have shared voting power and shared dispositive power with respect to such units.

(5) Includes 32,186 common units held by LDLM Associates, LP, and 28,500 common units held by Osiris Investments, LP. Mr. Miller is the grantor and trustee of the Miller Revocable Trust, which is the general partner of LDLM Associates, LP. Mr. Miller is also a limited partner of LDLM Associates, LP, holding 98% of its limited partner interests. Mr. Miller and Mr. Shane are each 50% members of Osiris Investments LLC, which is the general partner of Osiris Investments LP. Mr. Miller therefore may be deemed to beneficially own all of the units beneficially owned by LDLM Associates, LP and Osiris Investments, LP.

(6) Includes 32,186 common units held by Ten Twenty, LP and 28,500 common units held by Osiris Investments, LP. Mr. Shane is the general partner of Ten Twenty LP. Mr. Miller and Mr. Shane are each 50% members of Osiris Investments LLC, which is the general partner of Osiris Investments LP. Mr. Shane therefore may be deemed to beneficially own all of the units beneficially owned by Ten Twenty LP and Osiris Investments, LP.

(7) Includes 21,798 common units held by Mr. Freedman's spouse and over which Mr. Freedman may be deemed to have beneficial ownership.

(8) Includes 30,750 common units for Messrs. Miller and Shane, 22,250 common units for Messrs. M. Stache and R. Stache, and 6,000 common units for Messrs. Strom, Waimberg and Yost that will be issued to them within 60 days of March 1, 2010 in connection with the settlement of their respective phantom units which we are likely to settle in common units under our Long Term Incentive Program.

(9) Includes 930 common units for Messrs. Miller and Shane, 399 common units for Messrs. M. and R. Stache, 133 common units for Messrs. Waimberg and Yost, 27 common units for Mr. Strom, and 16 common units for Messrs. Freedman, Hellman, Lautman, Talbot, Grunebaum and Carver should such individuals exercise granted and vested UAR's within 60 days of March 1, 2010 based upon the underlying exercise price ($18.80 per common unit) and March 1, 2010 fair value ($19.93 per Unit).

(10) A total of 624,000 common units have been authorized under our Long Term Incentive Plan. We have issued UARs as part of this plan. UARs will only result in the issuance of common units if the fair value of common units during the exercise period exceeds the exercise price. There are currently 120,000 vested and unexercised UARs available under our plan with an exercise price of $24.14. There are currently 814,000 UARs available under our plan, of which approximately 59,354 had vested at March 1,2010 with an exercise price of $18.80. The exercise of all potential UARs could potentially result in an additional 196,442 common units being granted to the named executives above. This would result in a total beneficial ownership percentage of 21.3% for owners of 5% or more of the units, by directors and named executive officers of our general partner and by all directors and executive officers of our general partner as a group.

Equity Compensation Plan Information

The following table details information regarding our equity compensation plan as of December 31, 2009:

Plan category	(a) Number of securities to be issued upon exercise of outstanding Options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	427,558	$ 20.81	196,442
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	427,558	$ 20.81	196,442

Item 13. Certain Relationships and Related Transactions, and Director Independence

Independence of Directors

Even though most companies listed on the NASDAQ Global Select Market are required to have a majority of independent directors serving on the board of directors of the listed company, the NASDAQ Global Select Market does not require a listed limited partnership like us to have a majority of independent directors on the board of directors of its general partner.

The board of directors has determined that Allen Freedman, Howard Carver, Martin Lautman, Robert Hellman, Fenton Talbott and Peter Grunebaum qualify as “independent” directors in accordance with the applicable listing requirements of NASDAQ and the Exchange Act. In making these determinations, the directors reviewed and discussed information provided by the directors and us with regard to each director’s business and personal activities as they may relate to our management and us.

Related Party Transactions Policy and Procedures

The board of directors of our general partner established the Conflicts Committee, which is authorized to exercise all of the power and authority of the board of directors in connection with investigating, reviewing and acting on matters referred or disclosed to it where a conflict of interest exists or arises and performing such other functions as the board may assign to the Conflicts Committee from time to time. Pursuant to the Conflicts Committee Charter, the Conflicts Committee is responsible for reviewing all matters involving a conflict of interest submitted to it by the board of directors or as required by any written agreement involving a conflict of interest to which we are a party. In approving or ratifying any transaction or proposed transaction, the Conflicts Committee determines whether the transaction complies with our policies on conflicts of interests.

Distributions and Payments to our General Partner and its Affiliates

We were formed as a Delaware limited partnership to own and operate cemetery and funeral home properties previously owned and operated by Cornerstone. The following table summarizes the distributions and payments to be made by us to our general partner and its affiliates in connection with our ongoing operation and any liquidation. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

Distributions of available cash to our general partner and its affiliates	We will generally make cash distributions 98% to the unitholders, including our general partner, in respect of the common units that it owns, and 2% to our general partner. If distributions exceed target distribution levels, our general partner will be entitled to increasing percentages of the distributions, up to 50% of the distributions above the highest level.
Payments to our general partner and its affiliates	Our general partner and its affiliates do not receive any management fee or other compensation for the management of our business and affairs, but they are reimbursed for all expenses that they incur on our behalf, including general and administrative expenses and corporate overhead. As the sole purpose of the general partner is to act as our general partner, substantially all of the expenses of our general partner are incurred on our behalf and reimbursed by us or our subsidiaries. Our general partner determines the expenses that are allocable to us in good faith.
Withdrawal or removal of our general Partner	If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests.
Liquidation	Upon our liquidation, the unitholders and our general partner will be entitled to receive liquidating distributions according to their respective capital account balances.

Ownership Interests in our General Partner

Our general partner owns our 2% general partner interest and our incentive distribution rights. The following table shows the owners of our general partner:

Name	Ownership of Outstanding Class A Units of StoneMor GP LLC	Ownership of Outstanding Class B Units of StoneMor GP LLC
CFSI LLC	100%(1)	—
Lawrence Miller	—	30%
William R. Shane	—	30%
Michael Stache	—	20%
Robert Stache	—	20%

(1) In connection with the conversion of Cornerstone into CFSI LLC, all of the outstanding shares of Cornerstone common stock were converted into Class B units of CFSI LLC, and all of the outstanding shares of Cornerstone preferred stock were converted into Class A units of CFSI LLC (since redeemed). CFSI LLC is owned directly by Cornerstone Family Services LLC (85% of the Class B units), the McCown De Leeuw funds (approximately 10.1% of the Class B units), Messrs. Miller and Shane (each of whom owns, along with family partnerships, approximately 1.2% of the Class B units), and other individuals, including the following directors and executive officers of our general partner, each of whom owns less than 1% of the Class B units: M. Stache, R. Stache, Strom, Waimberg, Talbott, Lautman and Freedman. Cornerstone Family Services LLC is, in turn, owned directly by the McCown De Leeuw funds (approximately 90.8% membership interest), institutional investors (approximately 5.3% aggregate

membership interest) and other individuals, including the following directors and executive officers of our general partner: Messrs. Miller, Shane and Lautman. Each of Messrs. Shane and Miller owns an approximately 1.6% membership interest in Cornerstone Family Services LLC through family partnerships and Mr. Lautman owns less than approximately a 1% membership interest in Cornerstone Family Services LLC. As a result of their ownership interests in CFSI LLC and Cornerstone Family Services LLC, each of these executive officers and directors of our general partner holds an indirect interest in the Class A units of our general partner, which are described below.

The membership interests in our general partner are represented by two classes of units, the Class A units and the Class B units. Each of Messrs. Miller and Shane owns 24 Class B units, or 30% of the 80 outstanding Class B units and each of Messrs M. Stache and R. Stache owns 16 Class B units or 20% of the 80 outstanding Class B units. The compensation committee of our general partner may issue up to 20 additional Class B units to other executive officers of our general partner without the consent of Mr. Miller or Mr. Shane. At such time that 100 or more Class B units are issued and outstanding, Messrs. Miller and Shane must consent to any additional issuances of Class B units for so long as both of them are executive officers of our general partner and holders of Class B units. If at that time only one of Messrs. Miller and Shane is both an executive officer of our general partner and a holder of Class B units, then only that one must consent to such additional issuances. If at that time neither of Messrs. Miller and Shane is both an executive officer of our general partner and a holder of Class B units, then holders of a majority of outstanding Class B units must consent to such additional issuances. Additional issuances of Class B units will dilute all outstanding Class B units on a pro rata basis.

The Class B units in the aggregate are entitled to 50% of all quarterly cash distributions that we pay to our general partner with respect to its general partner interest and 25% of all quarterly cash distributions that we pay to our general partner with respect to its incentive distribution rights.

Messrs. Miller, Shane, M. Stache, R. Stache, Strom, Waimberg, Talbott, Lautman and Freedman also indirectly own Class A units of our general partner as a result of their direct and indirect ownership of membership interests in Cornerstone Family Services LLC and CFSI LLC discussed in footnote (1) to the table above. These persons directly hold an aggregate of approximately 4.6% of the Class B units in CFSI LLC. In addition, Messrs. Miller, Shane and Lautman own an approximate aggregate 3.9% membership interest in Cornerstone Family Services LLC, which in turn owns 85% of the Class B units in CFSI LLC, which will initially own all of the Class A units of our general partner. As a result, these persons collectively own, indirectly, an aggregate of approximately 7.9% of the Class A units of our general partner. The Class A units of our general partner are entitled to the remaining 50% interest on distributions that we pay to our general partner with respect to its general partner interest and the remaining 75% of all distributions that we pay to our general partner with respect to its incentive distribution rights

The Class A and Class B units of our general partner are subject to certain transfer and purchase rights and obligations upon the occurrence of certain events, such as:

- a change of control of CFSI LLC or our general partner;
- transfers by certain holders of Class A units of our general partner; or
- the death or disability of a holder of Class B units of our general partner.

Relationships and Related Transactions with CFSI LLC and Cornerstone Family Services LLC

Agreements Governing the Partnership

We, our general partner, our operating company and other parties have entered into various documents and agreements that effected the initial public offering transactions, including the vesting of assets in, and the assumption of liabilities by, us and our subsidiaries, and the application of the proceeds of the initial public offering. These agreements are not the result of arm’s-length negotiations, and we cannot assure you that they, or

any of the transactions that they provide for, have been effected on terms at least as favorable to the parties to these agreements as could have been obtained from unaffiliated third parties. All of the transaction expenses incurred in connection with these transactions, including the expenses associated with transferring assets into our subsidiaries, have been paid from the proceeds of the initial public offering.

Omnibus Agreement

On September 20, 2004 we entered into an omnibus agreement with McCown De Leeuw, Cornerstone Family Services LLC, CFSI LLC, our general partner and StoneMor Operating LLC.

Under the omnibus agreement, as long as our general partner is an affiliate of McCown De Leeuw, McCown De Leeuw will agree, and will cause its controlled affiliates to agree, not to engage, either directly or indirectly, in the business of owning and operating cemeteries and funeral homes (including the sales of cemetery and funeral home products and services) in the United States.

CFSI LLC has agreed to indemnify us for all federal, state and local income tax liabilities attributable to the operation of the assets contributed by CFSI LLC to us prior to the closing of the public offering. CFSI LLC has also agreed to indemnify us against additional income tax liabilities, if any, that arise from the consummation of the transactions related to our formation in excess of those believed to result at the time of the closing of our initial public offering. We estimate that $600,000 of state income taxes and no federal income taxes will be due as a result of these formation transactions. CFSI LLC has also agreed to indemnify us against the increase in income tax liabilities of our corporate subsidiaries resulting from any reduction or elimination of our net operating losses to the extent those net operating losses are used to offset any income tax gain or income resulting from the prior operation of the assets of CFSI LLC contributed to us, or from our formation transactions in excess of such gain or income believed to result at the time of the closing of the initial public offering. Until all of its indemnification obligations under the omnibus agreement have been satisfied in full, CFSI LLC is subject to limitations on its ability to dispose of or encumber its interest in our general partner or the common units held by it (except upon a redemption of common units by the partnership upon any exercise of the underwriters' over-allotment option) and will also be prohibited from incurring any indebtedness or other liability. CFSI LLC is also subject to certain limitations on its ability to transfer its interest in our general partner or the common units held by it if the effect of the proposed transfer would trigger an "ownership change" under the Internal Revenue Code that would limit our ability to use our federal net operating loss carryovers. Please read Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Income Taxes."

The omnibus agreement may not be amended without the prior approval of the conflicts committee if our general partner determines that the proposed amendment will adversely affect holders of our common units. Any action, notice, consent, approval or waiver permitted or required to be taken or given by us under the indemnification provisions of the omnibus agreement must be taken or given by the conflicts committee of our general partner.

In 2005 through 2009, we inadvertently did not subtract state income taxes in the aggregate amount of $373,567, which we were required to withhold from cash distributions to CFSI LLC, a holder of more than 5% of our common units, which distributions were made as part of regular cash distributions to all of our unitholders. We intend to subtract the amount of such overpayment from our future distributions to CFSI LLC if CFSI LLC does not otherwise reimburse us for such amount.

Relationship with McCown De Leeuw

McCown De Leeuw is the beneficial owner of approximately 87.2% of the Class B units of CFSI LLC through its direct ownership of approximately 10.1% of the Class B units of CFSI LLC and indirectly through its ownership of approximately 90.8% of the membership interests in Cornerstone Family Services LLC, which owns approximately 85% of the Class B units of CFSI LLC.

Under the Limited Liability Company Agreement of CFSI LLC, McCown De Leeuw has the right to designate at least three individuals, and such other greater number of individuals, to serve on the board of managers of CFSI LLC. In addition, for so long as Mr. Miller serves as an officer of CFSI LLC, he will also serve as a manager of CFSI LLC, and for so long as Mr. Shane serves as an officer of CFSI LLC, he will also serve as a manager of CFSI LLC. Prior to the conversion of Cornerstone into CFSI LLC, a stockholders agreement among Cornerstone and its stockholders required each stockholder to vote all of its shares of Cornerstone to elect and maintain a board of directors of Cornerstone comprised of at least three, and such other greater number, of individuals designated by the McCown De Leeuw funds.

The Limited Liability Company Agreement of CFSI LLC contains provisions that require CFSI LLC, through its direct control of our general partner and its indirect control of us and our subsidiaries, to prevent us, our subsidiaries and our general partner from taking certain significant actions without the approval of CFSI LLC. These actions include:

- certain acquisitions, borrowings and capital expenditures by us, our subsidiaries or our general partner;
- issuances of equity interests in us or our subsidiaries; and
- certain dispositions of equity interests in, or assets of, us, our general partner or our subsidiaries.

Under the Second Amended and Restated Limited Liability Company Agreement of Cornerstone Family Services LLC, McCown De Leeuw has the right to designate at least three individuals, and such other greater number of individuals, to serve on the board of managers of Cornerstone Family Services LLC. In addition, for so long as Mr. Miller serves as an officer of Cornerstone Family Services, LLC, he will also serve as a manager of Cornerstone Family Services LLC, and for so long as Mr. Shane serves as an officer of Cornerstone Family Services LLC, he will also serve as a manager of Cornerstone Family Services, LLC.

Under the Second Amended and Restated Limited Liability Company Agreement of Cornerstone Family Services LLC and the Limited Liability Company Agreement of CFSI LLC, each manager of Cornerstone Family Services LLC and each manager of CFSI LLC have agreed to cause Cornerstone Family Services LLC, CFSI LLC and any of their respective subsidiaries, as the case may be, to designate at least three individuals, and such other greater number of individuals designated by McCown De Leeuw to serve as members of the board of managers of StoneMor Operating LLC; and to take such actions as may be necessary to cause the election of additional persons designated by McCown De Leeuw as managers of StoneMor Operating LLC and to amend the limited liability company agreement of StoneMor Operating LLC as necessary.

Robert B. Hellman Jr., who serves as one of our directors, as the Chief Executive Officer and a Managing Director of McCown De Leeuw & Co., LLC and in various other positions with McCown De Leeuw, has applied for a U.S. patent on a technology entitled, “Apparatus and Method for Operating a Death Care Business as a Master Limited Partnership.” The computer-implemented method defines death care master limited partnership assets based upon qualifying death care business income sources and non-qualifying death care business income sources. The pending patent application was filed on November 27, 2002, and claims priority to an earlier patent application filed November 30, 2001 Mr. Hellman assigned the patent application to McCown De Leeuw & Co. IV, L.P. in February 2003 and recorded the assignment in the United States Patent and Trademark Office in March 2003. McCown De Leeuw & Co. IV, L.P. assigned a 50% ownership interest in the patent application and, if issued, the patent to the partnership. That patent application is still pending. We cannot assure you that the patent will be issued or, if it is issued and subsequently challenged, that it will be determined to be valid.

Item 14. Principal Accounting Fees and Services

The following table sets forth the aggregate fees paid or accrued for professional services rendered by Deloitte & Touche LLP for the audit of our annual financial statements for fiscal years 2009 and 2008 and the aggregate fees paid or accrued for audit-related services and all other services rendered by Deloitte & Touche LLP for fiscal years 2009 and 2008.

	Year ended December 31,	
	2009	2008
Audit fees	$ 1,277,352	$ 944,000
Audit-related fees	829,010	1,094,447
Tax fees	883,600	589,245
	$ 2,989,962	$ 2,627,692

The category of “Audit fees” includes fees for our annual audit, quarterly reviews and services rendered in connection with regulatory filings with the SEC, such as the issuance of comfort letters and consents.

The category of “Audit-related fees” includes fees for services related to employee benefit plan audits, internal control reviews and accounting consultation.

The category of “Tax fees” includes fees for the consultation and preparation of federal state and local tax returns.

All above audit services, audit-related services and tax services were pre-approved by the Audit Committee, which concluded that the provision of such services by Deloitte & Touche LLP was compatible with the maintenance of that firm’s independence in the conduct of its auditing functions. The Audit Committee’s outside auditor independence policy provides for pre-approval of all services performed by the outside auditors.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Financial Schedules

(1) The following financial statements of StoneMor Partners L.P. are included in Part II, Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2009 and 2008

Consolidated Statement of Operations for the years ended December 31, 2009, 2008 and 2007

Consolidated Statement of Common Stockholders' / Partners' Equity for the years ended December 31, 2009, 2008 and 2007

Consolidated Statement of Cash Flows for the years ended December 31, 2009, 2008, and 2007

Notes to the Consolidated Financial Statements

(c) Exhibits

Exhibit Number	Description
3.1*	Certificate of Limited Partnership of StoneMor Partners L.P. (incorporated by reference to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 9, 2004 (Exhibit 3.1)).
3.2*	First Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P., dated as of September 20, 2004 (incorporated by reference to Exhibit 3.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
3.2.1*	Amendment No. 1 to First Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P., effective as of February 27, 2007 (incorporated by reference to Exhibit 3.3 of Registrant's Current Report on Form 8-K filed on February 28, 2007).
3.2.2*	Amendment No. 2 to the First Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P, effective as of November 13, 2007 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
3.2.3*	Second Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P. dated as of September 9, 2008 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed on September 15, 2008).
4.1.1*	Form of 7.66% Senior Secured Note Due 2009, dated June 20, 2007 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
4.1.2*	Form of 9.34% Series B Senior Secured Note Due 2012, dated August 15, 2007 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
4.1.3*	Form of Senior Secured Series C Note, dated December 21, 2007 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
4.2*	Registration Rights Agreement by and between StoneMor Partners L.P. and SCI Funeral Services, Inc., an Iowa corporation ("SCI") and a wholly-owned subsidiary of Service Corporation International, a Texas corporation, joined by certain of SCI's direct and indirect subsidiary entities, effective November 1, 2005 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 2, 2005).

Exhibit Number	Description
4.3*	Registration Rights Agreement, dated as of September 28, 2006, by and between StoneMor Partners L.P. acting by its General Partner, StoneMor GP LLC, and SCI New Mexico Funeral Services, Inc. (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
4.3.1*	Amendment No. 1 to Registration Rights Agreement, dated as of January 29, 2008, by and between StoneMor Partners L.P. acting by its General partner, StoneMor GP LLC, and SCI New Mexico Funeral Services, Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on February 4, 2008).
4.3.2*	Amendment No. 2 to Registration Rights Agreement, dated as of July 3, 2008, by and between StoneMor Partners L.P. acting by it's General partner, StoneMor GP LLC, and SCI New Mexico Funeral Services, Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 8, 2008).
4.4*	Indenture, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009) .
4.4.1*	Form of 10.25% Senior Note due 2017 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.5*	Registration Rights Agreement, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the Initial Guarantors party thereto and Banc of America Securities LLC (incorporated by reference to Exhibit 4.3 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.6*	Form of Revolving Credit Note dated November 24, 2009 (incorporated by reference to Exhibit 4.4 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.7*	Form of Acquisition Note dated November 24, 2009 (incorporated by reference to Exhibit 4.5 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1*	Credit Agreement by and among StoneMor Operating LLC, StoneMor GP LLC, StoneMor Partners L.P., various additional borrowers, various lending institutions and Fleet National Bank, dated September 20, 2004 (Incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.1.1*	Second Amendment to Credit Agreement, dated September 28, 2006, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Second Amendment to the Credit Agreement, the Lenders party to the Second 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 10.5 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.1.2*	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 for its quarterly period ended March 31, 2007).

Exhibit Number	Description
10.1.3*	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 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.4*	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 (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.5*	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).
10.1.6*	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).
10.1.7*	Extension Letter, dated May 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.8*	Extension Letter, dated June 21, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.8 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.9*	Extension Letter, dated July 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.10*	Amended and Restated Credit Agreement, dated August 15, 2007, among StoneMor Operating LLC, as a Borrower, various subsidiaries thereof, as additional Borrowers, StoneMor Partners L.P. and StoneMor GP LLC, as Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders Party Hereto, and Banc of America Securities LLC, as Sole Lead Arranger and Sole Book Manager (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
10.1.11	First Amendment to Amended and Restated Credit Agreement, dated November 2, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, various subsidiaries thereof, the lenders party thereto and Bank of America, N.A., as Administrative Agent, Collateral Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1.11 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.1.12*	Joinder to Amended and Restated Credit Agreement and Credit Documents, dated December 21, 2007 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 28, 2007).

Exhibit Number	Description
10.1.13*	Commitment Letter, effective as of February 25, 2009, by and among Bank of America, N.A., Bank of America Securities, LLC and StoneMor Operating LLC (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed March 2, 2009).
10.1.14*	Second Amendment to Amended and Restated Credit Agreement, dated April 30, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A.(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 6, 2009).
10.1.15*	Third Amendment to Amended and Restated Credit Agreement, dated July 6, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.16*	Fourth Amendment to Amended and Restated Credit Agreement, dated November 24, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.17*	Fifth Amendment to Amended and Restated Credit Agreement, dated January 15, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on January 21, 2010).
10.1.18*	Amended and Restated Note Purchase Agreement, dated as of August 15, 2007, by StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, and each of the Subsidiary Issuers listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
10.1.19*	First Amendment to the Amended and Restated Note Purchase Agreement, dated November 2, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, its Subsidiaries set forth on the signature pages thereof, and the Noteholders (incorporated by reference to Exhibit 4.1.3 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.1.20*	Joinder to Amended and Restated Note Purchase Agreement and Finance Documents, dated December 21, 2007 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
10.1.21*	Second Amendment to Amended and Restated Note Purchase Agreement, dated April 30, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 6, 2009).
10.1.22*	Third Amendment to Amended and Restated Note Purchase Agreement, dated July 1, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.23*	Fourth Amendment to Amended and Restated Note Purchase Agreement, dated November 24, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.24*	Fifth Amendment to Amended and Restated Note Purchase Agreement, dated January 15, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on January 21, 2010).

Exhibit Number	Description
10.1.25*	Purchase Agreement, dated November 18, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Banc of America Securities LLC, acting on behalf of itself and as the representative for the purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.2*†	Long-Term Incentive Plan, as amended on November 8, 2006 (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.2.1*†	StoneMor Partners L.P. Long-Term Incentive Plan, as amended May 15, 2007 (incorporated by reference to Exhibit 99.1 of Registrant's Form S-8 filed on June 19, 2007).
10.2.2*†	Form of the Director Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.2.3*†	Form of the Key Employee Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.2.4*†	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 27, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 1, 2006).
10.2.5*†	Director Restricted Phantom Unit Agreement by and between StoneMor GP LLC and Robert Hellman dated June 23, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 23, 2009).
10.2.6*†	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
10.2.7*†	Form of the Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
10.2.8	Director Unit Appreciation Rights Agreement under the StoneMor Partners LP Long Term Incentive Plan
10.3*†	Employment Agreement by and between StoneMor GP LLC and Lawrence Miller, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.3.1*†	Addendum to Employment Agreement between StoneMor GP LLC and Lawrence Miller, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.4*†	Employment Agreement by and between StoneMor GP LLC and William R. Shane, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.4.1*†	Addendum to Employment Agreement between StoneMor GP LLC and William R. Shane, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.5*†	Employment Agreement by and between StoneMor GP LLC and Michael L. Stache, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).

Exhibit Number	Description
10.5.1*†	Addendum to Employment Agreement between StoneMor GP LLC and Michael L. Stache, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.6*†	Employment Agreement by and between StoneMor GP LLC and Robert Stache, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.8 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
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10.7*†	Form of Indemnification Agreement by and between StoneMor GP LLC and Lawrence Miller, Robert B. Hellman, Jr., Fenton R. Talbott, Jeffery A. Zawadsky, Martin R. Lautman, William R. Shane, Allen R. Freedman, effective September 20, 2004 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.7.1*†	Form of Indemnification Agreement by and between StoneMor GP LLC and Howard Carver and Peter Grunebaum, effective February 16, 2007 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.8*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement, and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.9*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC, and SCI Funeral Services, Inc., SCI Michigan Funeral Services, Inc. and Hawes, Inc. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.10*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC, and SCI Funeral Services, Inc., and SCI Michigan Funeral Services, Inc. and Hillcrest Memorial Company (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.11*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC, and SCI Funeral Services, Inc., SCI Michigan Funeral Services, Inc. and Hawes, Inc. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.12*	Asset Purchase and Sale Agreement, dated December 4, 2007, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement and by Cemetery Management Services of Ohio, L.L.C., and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement, as well as by SCI Ohio Funeral Services, Inc., and Alderwoods (Ohio) Cemetery Management, Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 7, 2007).
10.13*	Transition Agreement, dated December 7, 2007, by and among StoneMor Operating LLC, joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement, as defined therein, and SCI Funeral Services, Inc., joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 7, 2007).

Table of Contents

Exhibit Number	Description
21.1	Subsidiaries of Registrant.
23.1	Consent of Deloitte & Touche LLP
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 (furnished herewith).
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of William R. Shane, Executive Vice President and Chief Financial Officer (furnished herewith).
99.1*	Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 99.1 of Registrant's Current Report on Form 8-K filed on September 19, 2007).
99.2*	First Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 14, 2007 (incorporated by reference to Exhibit 99.2 of Registrant's Current Report on Form 8-K filed on September 19, 2007).
99.3*	Second Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of December 18, 2007 (incorporated by reference to Exhibit 99.2 of Registrant's Current Report on Form 8-K filed on December 28, 2007).

* Incorporated by reference, as indicated

† Management contract, compensatory plan or arrangement

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STONEMOR PARTNERS L.P.

By: StoneMor GP LLC, its General Partner

March 16, 2010

By: /s/ Lawrence Miller
Lawrence Miller
Chief Executive Officer, President and Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Lawrence Miller **Lawrence Miller** **(Principal Executive Officer)**	Chief Executive Officer, President and Chairman of the Board	March 16, 2010
/s/ William R. Shane **William R. Shane** **(Principal Financial Officer)**	Executive Vice President, Chief Financial Officer and Director	March 16, 2010
/s/ Paul Waimberg **Paul Waimberg** **(Principal Accounting Officer)**	Vice President—Finance	March 16, 2010
/s/ Allen R. Freedman **Allen R. Freedman**	Director	March 16, 2010
/s/ Peter K. Grunebaum **Peter K. Grunebaum**	Director	March 16, 2010
/s/ Robert B. Hellman, Jr. **Robert B. Hellman, Jr.**	Director	March 16, 2010
/s/ Martin R. Lautman, Ph.D. **Martin R. Lautman, Ph.D.**	Director	March 16, 2010
/s/ Fenton R. Talbott **Fenton R. Talbott**	Director	March 16, 2010
/s/ Howard L. Carver **Howard L. Carver**	Director	March 16, 2010

EXHIBIT INDEX

Exhibit Number	Description
3.1*	Certificate of Limited Partnership of StoneMor Partners L.P. (incorporated by reference to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 9, 2004 (Exhibit 3.1)).
3.2*	First Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P., dated as of September 20, 2004 (incorporated by reference to Exhibit 3.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
3.2.1*	Amendment No. 1 to First Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P., effective as of February 27, 2007 (incorporated by reference to Exhibit 3.3 of Registrant's Current Report on Form 8-K filed on February 28, 2007).
3.2.2*	Amendment No. 2 to the First Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P, effective as of November 13, 2007 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
3.2.3*	Second Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P. dated as of September 9, 2008 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed on September 15, 2008).
4.1.1*	Form of 7.66% Senior Secured Note Due 2009, dated June 20, 2007 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
4.1.2*	Form of 9.34% Series B Senior Secured Note Due 2012, dated August 15, 2007 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
4.1.3*	Form of Senior Secured Series C Note, dated December 21, 2007 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
4.2*	Registration Rights Agreement by and between StoneMor Partners L.P. and SCI Funeral Services, Inc., an Iowa corporation ("SCI") and a wholly-owned subsidiary of Service Corporation International, a Texas corporation, joined by certain of SCI's direct and indirect subsidiary entities, effective November 1, 2005 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 2, 2005).
4.3*	Registration Rights Agreement, dated as of September 28, 2006, by and between StoneMor Partners L.P. acting by its General Partner, StoneMor GP LLC, and SCI New Mexico Funeral Services, Inc. (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
4.3.1*	Amendment No. 1 to Registration Rights Agreement, dated as of January 29, 2008, by and between StoneMor Partners L.P. acting by its General partner, StoneMor GP LLC, and SCI New Mexico Funeral Services, Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on February 4, 2008).
4.3.2*	Amendment No. 2 to Registration Rights Agreement, dated as of July 3, 2008, by and between StoneMor Partners L.P. acting by it's General partner, StoneMor GP LLC, and SCI New Mexico Funeral Services, Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 8, 2008).
4.4*	Indenture, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009).

Exhibit Number	Description
4.4.1*	Form of 10.25% Senior Note due 2017 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.5*	Registration Rights Agreement, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the Initial Guarantors party thereto and Banc of America Securities LLC (incorporated by reference to Exhibit 4.3 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.6*	Form of Revolving Credit Note dated November 24, 2009 (incorporated by reference to Exhibit 4.4 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.7*	Form of Acquisition Note dated November 24, 2009 (incorporated by reference to Exhibit 4.5 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1*	Credit Agreement by and among StoneMor Operating LLC, StoneMor GP LLC, StoneMor Partners L.P., various additional borrowers, various lending institutions and Fleet National Bank, dated September 20, 2004 (Incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.1.1*	Second Amendment to Credit Agreement, dated September 28, 2006, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Second Amendment to the Credit Agreement, the Lenders party to the Second 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 10.5 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.1.2*	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 for its quarterly period ended March 31, 2007).
10.1.3*	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 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.4*	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 (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.5*	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).

Exhibit Number	Description
10.1.6*	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).
10.1.7*	Extension Letter, dated May 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.8*	Extension Letter, dated June 21, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.8 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.9*	Extension Letter, dated July 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.10*	Amended and Restated Credit Agreement, dated August 15, 2007, among StoneMor Operating LLC, as a Borrower, various subsidiaries thereof, as additional Borrowers, StoneMor Partners L.P. and StoneMor GP LLC, as Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders Party Hereto, and Banc of America Securities LLC, as Sole Lead Arranger and Sole Book Manager (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
10.1.11	First Amendment to Amended and Restated Credit Agreement, dated November 2, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, various subsidiaries thereof, the lenders party thereto and Bank of America, N.A., as Administrative Agent, Collateral Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1.11 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.1.12*	Joinder to Amended and Restated Credit Agreement and Credit Documents, dated December 21, 2007 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
10.1.13*	Commitment Letter, effective as of February 25, 2009, by and among Bank of America, N.A., Bank of America Securities, LLC and StoneMor Operating LLC (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed March 2, 2009).
10.1.14*	Second Amendment to Amended and Restated Credit Agreement, dated April 30, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A.(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 6, 2009).
10.1.15*	Third Amendment to Amended and Restated Credit Agreement, dated July 6, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.16*	Fourth Amendment to Amended and Restated Credit Agreement, dated November 24, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.17*	Fifth Amendment to Amended and Restated Credit Agreement, dated January 15, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on January 21, 2010).

Exhibit Number	Description
10.1.18*	Amended and Restated Note Purchase Agreement, dated as of August 15, 2007, by StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, and each of the Subsidiary Issuers listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
10.1.19*	First Amendment to the Amended and Restated Note Purchase Agreement, dated November 2, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, its Subsidiaries set forth on the signature pages thereof, and the Noteholders (incorporated by reference to Exhibit 4.1.3 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.1.20*	Joinder to Amended and Restated Note Purchase Agreement and Finance Documents, dated December 21, 2007 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
10.1.21*	Second Amendment to Amended and Restated Note Purchase Agreement, dated April 30, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 6, 2009).
10.1.22*	Third Amendment to Amended and Restated Note Purchase Agreement, dated July 1, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.23*	Fourth Amendment to Amended and Restated Note Purchase Agreement, dated November 24, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.24*	Fifth Amendment to Amended and Restated Note Purchase Agreement, dated January 15, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on January 21, 2010).
10.1.25*	Purchase Agreement, dated November 18, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Banc of America Securities LLC, acting on behalf of itself and as the representative for the purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.2*†	Long-Term Incentive Plan, as amended on November 8, 2006 (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.2.1*†	StoneMor Partners L.P. Long-Term Incentive Plan, as amended May 15, 2007 (incorporated by reference to Exhibit 99.1 of Registrant's Form S-8 filed on June 19, 2007).
10.2.2*†	Form of the Director Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.2.3*†	Form of the Key Employee Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.2.4*†	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 27, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 1, 2006).

Exhibit Number	Description
10.2.5*†	Director Restricted Phantom Unit Agreement by and between StoneMor GP LLC and Robert Hellman dated June 23, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 23, 2009).
10.2.6*†	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
10.2.7*†	Form of the Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
10.2.8	Director Unit Appreciation Rights Agreement under the StoneMor Partners LP Long Term Incentive Plan
10.3*†	Employment Agreement by and between StoneMor GP LLC and Lawrence Miller, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.3.1*†	Addendum to Employment Agreement between StoneMor GP LLC and Lawrence Miller, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.4*†	Employment Agreement by and between StoneMor GP LLC and William R. Shane, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.4.1*†	Addendum to Employment Agreement between StoneMor GP LLC and William R. Shane, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.5*†	Employment Agreement by and between StoneMor GP LLC and Michael L. Stache, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
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Exhibit Number	Description
10.8*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement, and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.9*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC, and SCI Funeral Services, Inc., SCI Michigan Funeral Services, Inc. and Hawes, Inc. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.10*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC, and SCI Funeral Services, Inc., and SCI Michigan Funeral Services, Inc. and Hillcrest Memorial Company (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
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10.12*	Asset Purchase and Sale Agreement, dated December 4, 2007, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement and by Cemetery Management Services of Ohio, L.L.C., and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement, as well as by SCI Ohio Funeral Services, Inc., and Alderwoods (Ohio) Cemetery Management, Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 7, 2007).
10.13*	Transition Agreement, dated December 7, 2007, by and among StoneMor Operating LLC, joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement, as defined therein, and SCI Funeral Services, Inc., joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 7, 2007).
21.1	Subsidiaries of Registrant.
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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 (furnished herewith).
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of William R. Shane, Executive Vice President and Chief Financial Officer (furnished herewith).

Exhibit Number	Description
99.1*	Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 99.1 of Registrant's Current Report on Form 8-K filed on September 19, 2007).
99.2*	First Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 14, 2007 (incorporated by reference to Exhibit 99.2 of Registrant's Current Report on Form 8-K filed on September 19, 2007).
99.3*	Second Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of December 18, 2007 (incorporated by reference to Exhibit 99.2 of Registrant's Current Report on Form 8-K filed on December 28, 2007).

* Incorporated by reference, as indicated

† Management contract, compensatory plan or arrangement

Exhibit 10.2.8

DIRECTOR UNIT APPRECIATION RIGHTS AGREEMENT
UNDER THE
STONEMOR PARTNERS L.P. LONG-TERM INCENTIVE PLAN

This Director Unit Appreciation Rights Agreement (the "Agreement") entered into as of December 16, 2009, (the "Agreement Date"), by and between StoneMor GP LLC (the "Company"), the general partner of and acting on behalf of StoneMor Partners L.P., a Delaware limited partnership (the "Partnership"), and _____, a member of the board of directors of the Company (the "Participant").

BACKGROUND:

In order to make certain awards to key employees, directors and consultants of the Company and its Affiliates, the Company maintains on behalf of the Partnership the StoneMor Partners L.P. Long-Term Incentive Plan (the "Plan"). The Plan is administered by the Compensation Committee (the "Committee") of the Board of Directors ("Board") of the Company. The Committee has determined to grant to the Participant, pursuant to the terms and conditions of the Plan, an award (the "Award") of Unit Appreciation Rights Agreement (also called "UARS"), which entitles the holder to receive, in whole Common Units of the Partnership ("Common Units") the excess of the Fair Market Value of a Common Unit on the exercise date over the exercise base price established for the UARS, subject to the terms and conditions contained herein. The exercise base price for the UAR is intended to equal to Fair Market Value of a Common Unit on the Date of Grant (as defined herein). The Participant has determined to accept such Award. Any initially capitalized terms and phrases used in this Agreement, but not otherwise defined herein, shall have the respective meanings ascribed to them in the Plan.

NOW, THEREFORE, the Company, acting on behalf of the Partnership, and the Participant, each intending to be legally bound hereby, agree as follows:

AWARD OF UARS

Grant of UARS and Vesting . The Participant is hereby granted the following UARS under the Plan and the following terms shall have the following respective meanings as used hereafter in this Agreement:

Date of Grant	**December 16, 2009**
Exercise Base Price for Each of the UARS*	**$18.80**
Total Number of UARS	**15,000**

UARS vest at a percentage rate which is equal to a fraction the numerator of which is the number of calendar months which have elapsed since December 16, 2009 and the denominator of which is 48, subject to forfeiture contained in Section 1.4 hereof.

* Intended to Equal Fair Market Value on Date of Grant

All of the UARS shall automatically vest upon a Change of Control (as defined in the Plan), notwithstanding that the UARS have not otherwise vested, provided that, at the time of the Change of Control, the Participant is then a member of the board of directors of the Company.

The term "permanent disability", as used in Section 1.4, shall refer to a "disability" as defined in Regulation 1.409A-3(i)(4)(i) and any successor guidance under the Code. All decisions as to whether UARS have fully vested or as to whether a Participant has suffered a "permanent disability" shall be made by the Committee and its decision shall be final, binding and conclusive in the absence of clear and convincing evidence that such decision was not made in good faith.

Exercise of UARS.

UARS may not be exercised prior to vesting, and only to the extent vested, and exercise is subject to all the terms and conditions of the Plan, including, but not limited to, the conditions set forth in Section 1.2(c) hereof. UARS which have vested may be exercised by giving written exercise notice to the Company on the form supplied by the Company. UARS are not deemed exercised until the Participant has paid or made suitable arrangements to pay all required tax withholding under Section 2.3 hereof, which will include (i) all foreign, federal, state and local income tax withholding required to be withheld by the Company in connection with the exercise of the UARS and (ii) the Participant's portion of other foreign, federal, state and local payroll and other taxes due in connection with the exercise of the UARS.

Upon proper exercise of UARS, the Participant will be entitled to receive, with respect to the UARS which are exercised, that number of whole Common Units that is closest in Fair Market Value (but does not exceed) the excess (if any) of (i) the Fair Market Value of the Common Units on the last trading date preceding the receipt by the Company of the written exercise notice (or if there is no trading in the Common Units on such date, on the next preceding date on which there was trading) as reported in The Wall Street Journal (or other reporting service approved by the Committee) over (ii) the Exercise Base Price For Each of the UARS contained in Section 1.1. No fractional Common Units shall be issued; instead, cash shall be distributed equal in Fair Market Value to the value of a whole Common Unit multiplied by the fraction. In the event Common Units are not publicly traded at the time a determination of Fair Market Value is required to be made herein, the determination of Fair Market Value shall be made in good faith by the Committee. The Committee's determination of Fair Market Value shall be final, binding and conclusive in absence of clear and convincing evidence that such decision was not made in good faith.

The Plan provides as follows: "The Committee may refuse to issue or transfer any Units or other consideration under an Award if, in its sole discretion, it determines that the issuance or transfer of such Units or such other consideration might violate any applicable law or regulation, the rules of the principal securities exchange on which the Units are then traded, or entitle the Partnership or an Affiliate to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary." The exercise of UARS may be subject to approval by the limited partners of the Partnership as required by the listing rules of The Nasdaq Stock Market, Inc. In no event may a UAR be exercised in violation of the Second Amended and Restated Agreement of Limited Partnership of the Partnership.

Exercise Term . Subject to Section 1.4 hereof, UARS' may not be exercised more than five (5) years after the Date of Grant contained in Section 1.1.

Forfeiture of UARS Upon Termination of Directorship . In the event of the termination of the directorship of the Participant (whether voluntary or involuntary and regardless of the reason for the termination) with the Company, all UARS (whether or not vested) shall be deemed to be automatically forfeited. Notwithstanding the foregoing, in the event of the termination of the Participant's directorship with the Company by reason of (a) a Change of Control (as defined in the Plan); (b) the death of the Participant; (c) the permanent disability of the Participant (as determined by the Committee); or (d) the retirement of the Participant at such age as the Committee shall approve, no forfeiture shall apply.

No Rights as Holder of Common Units . The Participant is not entitled to the rights of a holder of Common Units (including, but not limited to, the right to receive distributions on Common Units) until certificates representing the Common Units have been delivered to the Participant after proper exercise of the UARS.

GENERAL PROVISIONS

No Right Of Continued Directorship . The receipt of this Award does not give the Participant, and nothing in the Plan or in this Agreement shall confer upon the Participant, any right to continue as a director of the Company. Nothing in the Plan or in this Agreement shall affect any right which the Company or any of its Affiliates may have to terminate the directorship of the Participant.

No Rights As A Limited Partner . Neither the Participant nor any other person shall be entitled to the privileges of ownership of Common Units of the Partnership, limited partnership interests in the Partnership, or otherwise have any rights as a limited partner, by reason of the award of the UARS covered by this Agreement.

Tax Withholding . The Participant is responsible to pay to the Company all required tax withholding, whether foreign, federal, state or local in connection with the exercise of the UARS.

Administration . Pursuant to the Plan, the Committee is vested with conclusive authority to interpret and construe the Plan, to adopt rules and regulations for carrying out the Plan, and to make determinations with respect to all matters relating to this Agreement, the Plan and awards made pursuant thereto. The authority to manage and control the operation and administration of this Agreement shall be likewise vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee, and any decision made by the Committee with respect to this Agreement, shall be final and binding.

Effect of Plan; Construction . The entire text of the Plan is expressly incorporated herein by this reference and so forms a part of this Agreement. In the event of any inconsistency or discrepancy between the provisions of this Agreement and the terms and conditions of the Plan under which the UARS are granted, the provisions of the Plan shall govern and prevail. The UARS and this Agreement are each subject in all respects to, and the Company and the Participant each hereby agree to be bound by, all of the terms and conditions of the Plan, as the same may have been amended from time to time in accordance with its terms; provided, however, that no such amendment shall deprive the Participant, without the Participant's consent, of any rights earned or otherwise due to the Participant hereunder.

Amendment, Supplement or Waiver . This Agreement shall not be amended, supplemented, or waived in whole or in part, except by an instrument in writing executed by the parties to this Agreement.

Captions . The captions at the beginning of each of the numbered Sections and Articles herein are for reference purposes only and will have no legal force or effect. Such captions will not be considered a part of this Agreement for purposes of interpreting, construing or applying this Agreement and will not define, limit, extend, explain or describe the scope or extent of this Agreement or any of its terms and conditions.

Governing Law . THE VALIDITY, CONSTRUCTION, INTERPRETATION AND EFFECT OF THIS AGREEMENT SHALL EXCLUSIVELY BE GOVERNED BY AND DETERMINED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA (WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PRINCIPLES THEREOF), EXCEPT TO THE EXTENT PREEMPTED BY FEDERAL LAW.

Notices . All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing, sent by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested, or hand-delivered by the Participant and acknowledged in writing by the Company. Notices to the Company shall be deemed to have been duly given or made upon actual receipt by the Company. Such communications shall be addressed and directed to the parties listed below (except where this Agreement expressly provides that it be directed to another) as follows, or to such other address or recipient for a party as may be hereafter notified by such party hereunder:

if to the Partnership or Company: StoneMor GP LLC

311 Veterans Highway, Suite B
Levittown PA 19056
Attention: Chief Financial Officer

if to the Participant: to the address for the Participant as it appears on the Company's records.

Severability . If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable, it shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision to the extent it is not prohibited or unenforceable, nor invalidate the other provisions hereof.

Entire Agreement; Counterparts; Construction . This Agreement constitutes the entire understanding and supersedes any and all other agreements, oral or written, between the parties hereto, in respect of the subject matter of this Agreement, and embodies the entire understanding of the parties with respect to the subject matter hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original against any party whose signature appears thereon. The rule of construction that ambiguities in a document are construed against the draftsperson shall not apply to this Agreement.

Binding Agreement . The terms and conditions of this Agreement shall be binding upon the estate, heirs, beneficiaries and other representatives of the Participant to the same extent that said terms and conditions are binding upon the Participant.

Arbitration . Any dispute or disagreement with respect to any portion of this Agreement or its validity, construction, meaning, performance, or Participant's rights hereunder shall be settled by arbitration, conducted in Philadelphia, Pennsylvania, in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor, as amended from time to time. However, prior to submission to arbitration the Participant will attempt to resolve any disputes or disagreements with the Partnership over this Agreement amicably and informally, in good faith, for a period not to exceed two weeks. Thereafter, the dispute or disagreement will be submitted to arbitration. At any time prior to a decision from the arbitrator(s) being rendered, the Participant and the Partnership may resolve the dispute by settlement. The Participant and the Partnership shall equally share the costs charged by the American Arbitration Association or its successor, but the Participant and the Partnership shall otherwise be solely responsible for their own respective counsel fees and expenses. The decision of the arbitrator(s) shall be made in writing, setting forth the award, the reasons for the decision and award and shall be binding and conclusive on the Participant and the Partnership. Further, neither Participant nor the Partnership shall appeal any such award. Judgment of a court of competent jurisdiction may be entered upon the award and may be enforced as such in accordance with the provisions of the award. THE PARTICIPANT HEREBY WAIVES ANY RIGHT TO A JURY TRIAL.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day first above written.

STONEMOR PARTNERS L.P.

By: StoneMor GP LLC

By: _____
Name: _____
_____
Title: _____
_____

The Participant hereby acknowledges receipt of a copy of the foregoing Unit Appreciation Rights Agreement and the Plan, and having read them, hereby signifies his or her understanding of, and his or her agreement with, their terms and conditions. The Participant hereby accepts this Agreement in full satisfaction of any previous written or

verbal promises made to him or her by the Partnership or the Company or any of its other Affiliates with respect to Awards under the Plan, but does not affect outstanding Awards.

_____ (seal) _____

(Signature of Participant) (Date)

Exhibit 21.1

SUBSIDIARIES OF REGISTRANT

Subsidiaries (or Managed Entities*) of StoneMor Partners L.P. as of 12/31/2009

Subsidiary (or Managed Entity*) Name	Jurisdiction of Formation
Alleghany Memorial Park LLC	Virginia
Alleghany Memorial Park Subsidiary, Inc.	Virginia
Altavista Memorial Park LLC	Virginia
Altavista Memorial Park Subsidiary, Inc.	Virginia
Arlington Development Company	New Jersey
Augusta Memorial Park Perpetual Care Company	Virginia
Bethel Cemetery Association*	New Jersey
Beth Israel Cemetery Association of Woodbridge, New Jersey*	New Jersey
Birchlawn Burial Park LLC	Virginia
Birchlawn Burial Park Subsidiary, Inc.	Virginia
Cedar Hill Funeral Home, Inc.	Maryland
Cemetery Investments LLC	Virginia
Cemetery Investments Subsidiary, Inc.	Virginia
Cemetery Management Services, L.L.C.	Delaware
Cemetery Management Services of Mid-Atlantic States, L.L.C.	Delaware
Cemetery Management Services of Ohio, L.L.C.	Delaware
Cemetery Management Services of Pennsylvania, L.L.C.	Delaware
Clover Leaf Park Cemetery Association*	New Jersey
CMS West LLC	Pennsylvania
CMS West Subsidiary LLC	Pennsylvania
Columbia Memorial Park LLC	Maryland
Columbia Memorial Park Subsidiary, Inc.	Maryland
Cornerstone Family Insurance Services, Inc.	Delaware
Cornerstone Family Services of New Jersey, Inc.	New Jersey
Cornerstone Family Services of West Virginia LLC	West Virginia
Cornerstone Family Services of West Virginia Subsidiary, Inc.	West Virginia
Cornerstone Funeral and Cremation Services LLC	Delaware
Covenant Acquisition LLC	Virginia
Covenant Acquisition Subsidiary, Inc.	Virginia
Crown Hill Cemetery Association*	Ohio
Eloise B. Kyper Funeral Home, Inc.	Pennsylvania
Glen Haven Memorial Park LLC	Delaware
Glen Haven Memorial Park Subsidiary, Inc.	Maryland
Henlopen Memorial Park LLC	Delaware
Henlopen Memorial Park Subsidiary LLC	Delaware
Henry Memorial Park LLC	Virginia
Henry Memorial Park Subsidiary, Inc.	Virginia
Highland Memorial Park, Inc.*	Ohio
Hillside Memorial Park Association, Inc.*	Ohio
Juniata Memorial Park LLC	Pennsylvania
KIRIS LLC	Virginia
KIRIS Subsidiary, Inc.	Virginia
Lakewood/Hamilton Cemetery LLC	Tennessee
Lakewood/Hamilton Cemetery Subsidiary, Inc.	Tennessee
Lakewood Memory Gardens South LLC	Georgia
Lakewood Memory Gardens South Subsidiary, Inc.	Georgia
Laurel Hill Memorial Park LLC	Virginia

Subsidiary (or Managed Entity*) Name	Jurisdiction of Formation
Laurel Hill Memorial Park Subsidiary, Inc.	Virginia
Laurelwood Holding Company	Pennsylvania
Legacy Estates, Inc.	New Jersey
Locustwood Cemetery Association*	New Jersey
Loewen [Virginia] LLC	Virginia
Loewen [Virginia] Subsidiary, Inc.	Virginia
Lorraine Park Cemetery LLC	Delaware
Lorraine Park Cemetery Subsidiary, Inc.	Maryland
Modern Park Development LLC	Maryland
Modern Park Development Subsidiary, Inc.	Maryland
Northlawn Memorial Gardens*	Ohio
Oak Hill Cemetery LLC	Virginia
Oak Hill Cemetery Subsidiary, Inc.	Virginia
Ohio Cemetery Holdings, Inc.*	Ohio
Osiris Holding Finance Company	Delaware
Osiris Holding of Maryland LLC	Delaware
Osiris Holding of Maryland Subsidiary, Inc.	Maryland
Osiris Holding of Pennsylvania LLC	Pennsylvania
Osiris Holding of Rhode Island LLC	Rhode Island
Osiris Holding of Rhode Island Subsidiary, Inc.	Rhode Island
Osiris Management, Inc.	New Jersey
Osiris Telemarketing Corp.	New York
Perpetual Gardens.Com, Inc.	Delaware
PVD Acquisitions LLC	Virginia
PVD Acquisitions Subsidiary, Inc.	Virginia
Rockbridge Memorial Gardens LLC	Virginia
Rockbridge Memorial Gardens Subsidiary Company	Virginia
Rolling Green Memorial Park LLC	Pennsylvania
Rose Lawn Cemeteries LLC	Virginia
Rose Lawn Cemeteries Subsidiary, Incorporated	Virginia
Roselawn Development LLC	Virginia
Roselawn Development Subsidiary Corporation	Virginia
Russell Memorial Cemetery LLC	Virginia
Russell Memorial Cemetery Subsidiary, Inc.	Virginia
Shenandoah Memorial Park LLC	Virginia
Shenandoah Memorial Park Subsidiary, Inc.	Virginia
Sierra View Memorial Park	California
Southern Memorial Sales LLC	Virginia
Southern Memorial Sales Subsidiary, Inc.	Virginia
Springhill Memory Gardens LLC	Maryland
Springhill Memory Gardens Subsidiary, Inc.	Maryland
Star City Memorial Sales LLC	Virginia
Star City Memorial Sales Subsidiary, Inc.	Virginia
Stephen R. Haky Funeral Home, Inc.	Pennsylvania
Stitham LLC	Virginia
Stitham Subsidiary, Incorporated	Virginia
StoneMor Alabama LLC	Alabama
StoneMor Alabama Subsidiary, Inc.	Alabama

Subsidiary (or Managed Entity*) Name	Jurisdiction of Formation
StoneMor Arkansas Subsidiary LLC	Arkansas
StoneMor California, Inc.	California
StoneMor California Subsidiary, Inc.	California
StoneMor Cemetery Products LLC	Pennsylvania
StoneMor Colorado LLC	Colorado
StoneMor Colorado Subsidiary LLC	Colorado
StoneMor Florida Subsidiary LLC	Florida
StoneMor Georgia LLC	Georgia
StoneMor Georgia Subsidiary, Inc.	Georgia
StoneMor Hawaiian Joint Venture Group LLC	Hawaii
StoneMor Hawaii LLC	Hawaii
StoneMor Hawaii Subsidiary, Inc.	Hawaii
StoneMor Holding of Pennsylvania LLC	Pennsylvania
StoneMor Illinois LLC	Illinois
StoneMor Illinois Subsidiary LLC	Illinois
StoneMor Indiana LLC	Indiana
StoneMor Indiana Subsidiary LLC	Indiana
StoneMor Iowa LLC	Iowa
StoneMor Iowa Subsidiary LLC	Iowa
StoneMor Kansas LLC	Kansas
StoneMor Kansas Subsidiary LLC	Kansas
StoneMor Kentucky LLC	Kentucky
StoneMor Kentucky Subsidiary LLC	Kentucky
StoneMor Michigan LLC	Michigan
StoneMor Michigan Subsidiary LLC	Michigan
StoneMor Missouri LLC	Missouri
StoneMor Missouri Subsidiary LLC	Missouri
StoneMor North Carolina LLC	North Carolina
StoneMor North Carolina Subsidiary LLC	North Carolina
StoneMor North Carolina Funeral Services, Inc.	North Carolina
StoneMor Ohio LLC	Ohio
StoneMor Ohio Subsidiary, Inc.	Ohio
StoneMor Operating LLC	Delaware
StoneMor Oregon LLC	Oregon
StoneMor Oregon Subsidiary LLC	Oregon
StoneMor Pennsylvania LLC	Pennsylvania
StoneMor Pennsylvania Subsidiary LLC	Pennsylvania
StoneMor Puerto Rico LLC	Puerto Rico
StoneMor Puerto Rico Subsidiary LLC	Puerto Rico
StoneMor South Carolina LLC	South Carolina
StoneMor South Carolina Subsidiary LLC	South Carolina
StoneMor Tennessee Subsidiary, Inc.	Tennessee
StoneMor Washington, Inc.	Washington
StoneMor Washington Subsidiary LLC	Washington

Sunset Memorial Gardens LLC	Virginia
Sunset Memorial Gardens Subsidiary, Inc.	Virginia
Sunset Memorial Park LLC	Maryland
Sunset Memorial Park Subsidiary, Inc.	Maryland
Temple Hill LLC	Virginia
Temple Hill Subsidiary Corporation	Virginia
The Valhalla Cemetery Company LLC	Alabama

Subsidiary (or Managed Entity*) Name	Jurisdiction of Formation
The Valhalla Cemetery Subsidiary Corporation	Alabama
Tioga County Memorial Gardens LLC	Pennsylvania
Virginia Memorial Service LLC	Virginia
Virginia Memorial Service Subsidiary Corporation	Virginia
WNCI LLC	Delaware
W N C Subsidiary, Inc.	Maryland
Wicomico Memorial Parks LLC	Maryland
Wicomico Memorial Parks Subsidiary, Inc.	Maryland
Willowbrook Management Corp.	Connecticut
Woodlawn Memorial Park Subsidiary LLC	Pennsylvania

* Entity is not a StoneMor Partners L.P. subsidiary, but is managed by contract with a subsidiary

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-144453 on Form S-3 and Registration Statement No. 333-143863 on Form S-8 of our reports dated March 15, 2010 (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the effects of the adoption of Accounting Standards Codification ("ASC") 810-10-65-1 and related disclosure in Note 1), relating to the consolidated financial statements of StoneMor Partners L.P. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of StoneMor Partners L.P. for the year ended December 31, 2009.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
March 16, 2010

Deloitte Consent

CERTIFICATION

Exhibit 31.1

I, Lawrence Miller, certify that:

1. I have reviewed this annual report on Form 10-K, for the fiscal year ended December 31, 2009, of StoneMor Partners L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f), for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2010

By: /s/ Lawrence Miller
Lawrence Miller
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

Exhibit 31.2

I, William R. Shane, certify that:

1. I have reviewed this annual report on Form 10-K, for the fiscal year ended December 31, 2009, of StoneMor Partners L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f), for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2010

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

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of StoneMor GP, LLC, the general partner of StoneMor Partners, L.P. (the "Partnership"), does hereby certify with respect to the Annual Report of the Partnership on Form 10-K for the year ended December 31, 2009 (the "Report") that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Lawrence Miller

President and Chief Executive Officer

Date: March 16, 2010

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officers of StoneMor GP, LLC, the general partner of StoneMor Partners, L.P. (the "Partnership"), does hereby certify with respect to the Annual Report of the Partnership on Form 10-K for the year ended December 31, 2009 (the "Report") that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ William R. Shane

Executive Vice President and Chief Financial Officer

Date: March 16, 2010

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.