STONEMOR PARTNERS LP

FORM 10-Q
(Quarterly Report)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

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)**

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

The number of the registrant's outstanding common units at May 10, 2011 was 19,339,079.

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Part I – Financial Information

Item 1. Financial Statements

StoneMor Partners L.P.
Condensed Consolidated Balance Sheets
(in thousands)

	March 31, 2011 (unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 27,494	$ 7,535
Accounts receivable, net of allowance	45,975	45,149
Prepaid expenses	3,111	3,783
Other current assets	8,690	8,580
Total current assets	85,270	65,047
Long-term accounts receivable, net of allowance	61,749	60,314
Cemetery property	286,704	283,460
Property and equipment, net of accumulated depreciation	65,032	66,249
Merchandise trusts, restricted, at fair value	331,939	318,318
Perpetual care trusts, restricted, at fair value	257,027	249,690
Deferred financing costs, net of accumulated amortization	8,613	9,801
Deferred selling and obtaining costs	62,701	59,422
Deferred tax assets	518	605
Goodwill	19,961	19,851
Other assets	13,973	14,362
Total assets	$1,193,487	$1,147,119
Liabilities and partners' capital		
Current liabilities:		
Accounts payable and accrued liabilities	$ 17,975	$ 23,444
Accrued interest	5,115	2,034
Current portion, long-term debt	1,258	1,386
Total current liabilities	24,348	26,864
Other long-term liabilities	3,485	3,577
Long-term debt	150,595	219,008
Deferred cemetery revenues, net	409,487	388,403
Deferred tax liabilities	17,062	18,029
Merchandise liability	113,836	113,356
Perpetual care trust corpus	257,027	249,690
Total liabilities	975,840	1,018,927
Commitments and Contingencies		
Partners' capital		
General partner	3,572	1,809
Common partners	214,075	126,383
Total partners' capital	217,647	128,192
Total liabilities and partners' capital	$1,193,487	$1,147,119

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

StoneMor Partners L.P.
Condensed Consolidated Statement of Operations
(in thousands, except unit data)
(unaudited)

	Three months ended March 31, 2011	2010
Revenues:		
Cemetery		
Merchandise	$ 21,435	$ 18,798
Services	10,798	7,987
Investment and other	9,666	8,007
Funeral home		
Merchandise	3,139	2,500
Services	4,193	3,378
Total revenues	49,231	40,670
Costs and Expenses:		
Cost of goods sold (exclusive of depreciation shown separately below):		
Perpetual care	1,325	1,087
Merchandise	3,668	3,313
Cemetery expense	12,086	9,247
Selling expense	9,544	7,616
General and administrative expense	6,427	5,598
Corporate overhead (including $189 and $175 in unit-based compensation for the three months ended March 31, 2011 and 2010, respectively)	5,958	5,089
Depreciation and amortization	2,446	1,810
Funeral home expense		
Merchandise	1,206	913
Services	2,546	2,088
Other	1,557	1,430
Acquisition related costs	933	990
Total cost and expenses	47,696	39,181
Operating profit	1,535	1,489
Expenses related to refinancing	453	—
Gain on acquisitions	—	7,093
Early extinguishment of debt	4,010	—
Increase in fair value of interest rate swaps	—	1,671
Interest expense	5,090	4,858
Income (loss) before income taxes	(8,018)	5,395
Income tax expense (benefit)		
State	4	28
Federal	(808)	(528)
Total income tax expense (benefit)	(804)	(500)
Net income (loss)	$ (7,214)	$ 5,895
General partner's interest in net income (loss) for the period	$ (144)	$ 118
Limited partners' interest in net income (loss) for the period	$ (7,070)	$ 5,777
Net income (loss) per limited partner unit (basic and diluted)	$ (.40)	$ .43
Weighted average number of limited partners' units outstanding (basic and diluted)	17,709	13,385

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

StoneMor Partners L.P.
Condensed Consolidated Statement of
Partners' Capital
(in thousands)
(unaudited)

	Partners' Capital		
	Common Unit Holders	General Partner	Total
Balance, December 31, 2010	$ 126,383	$1,809	$128,192
Proceeds from public offering	103,564	—	103,564
Compensation related to UARs	156	—	156
General partner contribution	—	2,242	2,242
Net loss	(7,070)	(144)	(7,214)
Cash distribution	(8,958)	(335)	(9,293)
Balance, March 31, 2011	$ 214,075	$3,572	$217,647

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

StoneMor Partners L.P.
Condensed Consolidated Statement of Cash Flows
(in thousands)
(unaudited)

	For the three months ended March 31, 2011	2010
Operating activities:		
Net income (loss)	$ (7,214)	$ 5,895
Adjustments to reconcile net income (loss) to net cash provided by operating activity:		
Cost of lots sold	1,478	1,419
Depreciation and amortization	2,446	1,810
Unit-based compensation	189	175
Accretion of debt discount	383	82
Change in fair value of interest rate swaps	—	(1,671)
Write-off of deferred financing fees	453	—
Gain on acquisitions	—	(7,093)
Financing fees paid for early extinguishment of debt	4,010	—
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(2,835)	(6,879)
Allowance for doubtful accounts	671	648
Merchandise trust fund	(8,612)	(4,026)
Prepaid expenses	671	855
Other current assets	(110)	(40)
Other assets	197	125
Accounts payable and accrued and other liabilities	(2,510)	2,669
Deferred selling and obtaining costs	(3,279)	(3,309)
Deferred cemetery revenue	16,319	13,563
Deferred taxes (net)	(880)	(572)
Merchandise liability	(739)	379
Net cash provided by operating activities	638	4,030
Investing activities:		
Cash paid for cemetery property	(706)	(415)
Purchase of subsidiaries	(1,700)	(14,015)
Cash paid for property and equipment	(1,759)	(388)
Net cash used in investing activities	(4,165)	(14,818)
Financing activities:		
Cash distribution	(9,293)	(7,653)
Additional borrowings on long-term debt	4,300	18,200
Repayments of long-term debt	(73,317)	(157)
Proceeds from public offerings	103,564	—
Proceeds from general partner contribution	2,242	68
Financing fees paid for early extinguishment of debt	(4,010)	—
Cost of financing activities	—	(69)
Net cash provided by financing activities	23,486	10,389
Net increase (decrease) in cash and cash equivalents	19,959	(399)
Cash and cash equivalents - Beginning of period	7,535	13,479
Cash and cash equivalents - End of period	$ 27,494	$ 13,080
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$ 1,472	$ 3,177
Cash paid during the period for income taxes	$ 87	$ 280

See Accompanying Notes to the Unaudited Condensed 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 March 31, 2011, the Partnership operated 260 cemeteries, 239 of which are owned, in 25 states and Puerto Rico and owned and operated 58 funeral homes in 17 states and Puerto Rico.

Basis of Presentation

The unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All interim financial data is unaudited. However, in the opinion of management, the interim financial data as of March 31, 2011 and for the three months ended March 31, 2011 and 2010 include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim period. The results of operations for interim periods are not necessarily indicative of the results of operations to be expected for a full year. The December 31, 2010 condensed consolidated balance sheet data was derived from audited financial statements in the Company’s 2010 Form 10-K, but does not include all disclosures required by accounting principles generally accepted in the United States of America, which are presented in the Company’s 2010 Form 10-K.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of each of the Company’s subsidiaries. These statements also include the accounts of the merchandise and perpetual care trusts in which the Company has a variable interest and is the primary beneficiary. The operations of 15 of the 21 managed cemeteries that the Company operates under long-term operating or management contracts are also consolidated. There are 6 cemeteries that the Company began operating under long-term operating agreements that did not qualify as acquisitions for accounting purposes. The Company has consolidated the existing merchandise and perpetual care trusts related to these cemeteries as variable interest entities as the Company controls and benefits from the operations of the trusts. The results of operations of these 6 cemeteries are included in our results of operations from the date the Company began operating the properties.

Total revenues derived from the cemeteries under long-term operating or management contracts totaled approximately $8.2 million for the three months ended March 31, 2011, as compared to $6.8 million during the same period last year.

Use of Estimates

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

2. LONG-TERM ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

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

	As of March 31, 2011	As of December 31, 2010
	(in thousands)	
Customer receivables	$139,341	$ 135,783
Unearned finance income	(15,115)	(14,488)
Allowance for contract cancellations	(16,502)	(15,832)
	107,724	105,463
Less: current portion, net of allowance	45,975	45,149
Long-term portion, net of allowance	$ 61,749	$ 60,314

Activity in the allowance for contract cancellations is as follows:

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
	(in thousands)	
Balance - Beginning of period	$ 15,832	$ 13,350
Provision for cancellations	4,250	3,149
Charge-offs - net	(3,580)	(2,500)
Balance - End of period	$ 16,502	$ 13,999

3. CEMETERY PROPERTY

Cemetery property consists of the following:

	As of March 31, 2011	As of December 31, 2010
	(in thousands)	
Developed land	$ 62,862	$ 61,849
Undeveloped land	159,272	159,386
Mausoleum crypts and lawn crypts	64,570	62,225
Total	$286,704	$ 283,460

4. PROPERTY AND EQUIPMENT

Major classes of property and equipment follow:

	As of March 31, 2011	As of December 31, 2010
	(in thousands)	
Building and improvements	$ 65,910	$ 67,247
Furniture and equipment	33,465	31,947
	99,375	99,194
Less: accumulated depreciation	(34,343)	(32,945)
Property and equipment - net	$ 65,032	$ 66,249

Depreciation expense was $1.4 million and $1.1 million during the three months ended March 31, 2011, and 2010, respectively.

5. MERCHANDISE TRUSTS

At March 31, 2011, the Company's merchandise trusts consisted of the following types of assets:

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

All of these investments are classified as Available for Sale as defined by the Investments in Debt and Equity topic of the Accounting Standards Codification (ASC). Accordingly, all of the assets are carried at fair value. All of these investments are considered to be either Level 1 or Level 2 assets as defined by the Fair Value Measurements and Disclosures topic of the ASC. At March 31, 2011, approximately 92.6% of these assets were Level 1 investments while approximately 7.4% were Level 2 assets. There were no Level 3 assets. Other invested assets held in the trust at March 31, 2011 and December 31, 2010 include $6.6 million and $6.4 million, respectively, of assets that are managed and held by the state of West Virginia as required by law.

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

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The cost and market value associated with the assets held in merchandise trusts at March 31, 2011 and December 31, 2010 were as follows:

As of March 31, 2011	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 27,984	$ —	$ —	$ 27,984
Fixed maturities:				
U.S. Government and federal agency	—	—	—	—
U.S. State and local government agency	23	—	—	23
Corporate debt securities	10,050	58	(75)	10,033
Other debt securities	2,461	—	—	2,461
Total fixed maturities	12,534	58	(75)	12,517
Mutual funds - debt securities	67,184	2,275	(493)	68,966
Mutual funds - equity securities	128,823	6,726	(2,576)	132,973
Equity securities	72,183	6,444	(1,058)	77,569
Other invested assets	13,210	—	(1,280)	11,930
Total	$321,918	$ 15,503	$ (5,482)	$331,939

As of December 31, 2010	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 40,723	$ —	$ —	$ 40,723
Fixed maturities:				
U.S. Government and federal agency	—	—	—	—
U.S. State and local government agency	23	—	—	23
Corporate debt securities	9,973	119	(152)	9,940
Other debt securities	1,503	35	—	1,538
Total fixed maturities	11,499	154	(152)	11,501
Mutual funds - debt securities	49,717	3,087	(286)	52,518
Mutual funds - equity securities	124,177	6,444	(3,956)	126,665
Equity securities	69,462	6,708	(909)	75,261
Other invested assets	11,433	217	—	11,650
Total	$307,011	$ 16,610	$ (5,303)	$318,318

The contractual maturities of debt securities as of March 31, 2011 and December 31, 2010 are as follows:

As of March 31, 2011	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	—	8,652	1,381	—
Other debt securities	2,461	—	—	—
Total fixed maturities	$ 2,484	$ 8,652	$ 1,381	$ —

As of December 31, 2010	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	85	2,887	6,064	904
Other debt securities	1,538	—	—	—
Total fixed maturities	$ 1,623	$ 2,910	$ 6,064	$ 904

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An aging of unrealized losses on the Company’s investments in fixed maturities and equity securities at March 31, 2011 and December 31, 2010 is presented below:

As of March 31, 2011	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 Months or more Fair Value	12 Months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	$ —	$ —	$ —	$ —	$ —	$ —
U.S. State and local government agency	—	—	—	—	—	—
Corporate debt securities	6,148	51	199	24	6,347	75
Other debt securities	—	—	—	—	—	—
Total fixed maturities	6,148	51	199	24	6,347	75
Mutual funds - debt securities	32,627	238	1,967	255	34,594	493
Mutual funds - equity securities	—	—	57,916	2,576	57,916	2,576
Equity securities	7,790	384	6,369	674	14,159	1,058
Other invested assets	762	1,280	—	—	762	1,280
Total	$47,327	$ 1,953	$66,451	$ 3,529	$113,778	$ 5,482

As of December 31, 2010	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 Months or more Fair Value	12 Months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	$ —	$ —	$ —	$ —	$ —	$ —
U.S. State and local government agency	—	—	—	—	—	—
Corporate debt securities	4,887	95	813	57	5,700	152
Other debt securities	—	—	—	—	—	—
Total fixed maturities	4,887	95	813	57	5,700	152
Mutual funds - debt securities	1,619	11	2,331	275	3,950	286
Mutual funds - equity securities	364	48	56,316	3,908	56,680	3,956
Equity securities	5,227	129	7,817	780	13,044	909
Total	$12,097	$ 283	$67,277	$ 5,020	$ 79,374	$ 5,303

A reconciliation of the Company’s merchandise trust activities for the three months ended March 31, 2011 is presented below:

Three months ended March 31, 2011

Fair Value @ 12/31/2010	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss	Taxes	Fees	Unrealized Change in Fair Value	Fair Value @ 3/31/2011
				(in thousands)					
$318,318	15,110	(7,079)	1,370	15	5,998	(4)	(503)	(1,286)	$331,939

The Company made net deposits into the trusts of approximately $8.0 million during the three months ended March 31, 2011. During the three months ended March 31, 2011, purchases and sales of securities available for sale included in trust investments were approximately $144.1 million and $136.7 million, respectively. Contributions included $0.9 million of assets that were acquired through acquisitions during the three months ended March 31, 2011.

Other-than-temporary Impairments of Trust Assets

During the three months ended March 31, 2011, the Company determined that there were no other than temporary impairments to the investment portfolio in the Merchandise Trusts due to credit losses.

During the three months ended March 31, 2010, the Company determined that there was a single security, with an aggregate cost basis of approximately $0.3 million, an aggregate fair value of less than $0.1 million and a resulting impairment of value of approximately $0.2 million, wherein such impairments were considered to be other-than-temporary. Accordingly, the Company adjusted the cost basis of this asset to its 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 March 31, 2011, the Company's perpetual care trusts consisted of the following types of assets:

- Money Market Funds that invest in low risk short term securities;
- Publicly traded mutual funds that invest in underlying debt securities;
- Publicly traded mutual funds that invest in underlying equity securities;
- Equity investments that are currently paying dividends or distributions. These investments include REIT's 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 the Investments in Debt and Equity topic of the ASC. Accordingly, all of the assets are carried at fair value. All of these investments are considered to be either Level 1 or Level 2 assets as defined by the Fair Value Measurements and Disclosures topic of the ASC. At March 31, 2011, approximately 90.6% of these assets were Level 1 investments while approximately 9.4% were Level 2 assets. There were no Level 3 assets.

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The cost and market value associated with the assets held in perpetual care trusts at March 31, 2011 and December 31, 2010 were as follows:

As of March 31, 2011	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 16,353	$ —	$ —	$ 16,353
Fixed maturities:				
U.S. Government and federal agency	515	93	—	608
U.S. State and local government agency	67	81	—	148
Corporate debt securities	22,696	490	(114)	23,072
Other debt securities	371	—	—	371
Total fixed maturities	23,649	664	(114)	24,199
Mutual funds - debt securities	58,785	4,020	(557)	62,248
Mutual funds - equity securities	94,395	7,055	(1,478)	99,972
Equity Securities	44,097	9,631	(92)	53,636
Other invested assets	633	126	(140)	619
Total	$237,912	$ 21,496	$ (2,381)	$257,027

As of December 31, 2010	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	$ 20,583	$ —	$ —	$ 20,583
Fixed maturities:				
U.S. Government and federal agency	515	85	—	600
U.S. State and local government agency	67	81	—	148
Corporate debt securities	22,047	879	(234)	22,692
Other debt securities	509	—	(1)	508
Total fixed maturities	23,138	1,045	(235)	23,948
Mutual funds - debt securities	52,809	2,865	(525)	55,149
Mutual funds - equity securities	88,871	5,787	(2,878)	91,780
Equity Securities	48,054	9,379	(181)	57,252
Other invested assets	887	91	—	978
Total	$234,342	$ 19,167	$ (3,819)	$249,690

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The contractual maturities of debt securities as of March 31, 2011 and December 31, 2010 were as follows:

As of March 31, 2011	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	$ 102	$ 389	$ 117	$ —
U.S. State and local government agency	148	—	—	—
Corporate debt securities	76	19,236	3,760	—
Other debt securities	371	—	—	—
Total fixed maturities	$ 697	$ 19,625	$ 3,877	$ —

As of December 31, 2010	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	$ 103	$ 381	$ 116	$ —
U.S. State and local government agency	148	—	—	—
Corporate debt securities	292	6,377	14,667	1,356
Other debt securities	508	—	—	—
Total fixed maturities	$ 1,051	$ 6,758	$ 14,783	$ 1,356

An aging of unrealized losses on the Company's investments in fixed maturities and equity securities at March 31, 2011 and December 31, 2010 held in perpetual care trusts is presented below:

As of March 31, 2011	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	$ —	$ —	$ —	$ —	$ —	$ —
U.S. State and local government agency	—	—	—	—	—	—
Corporate debt securities	12,632	111	219	3	12,851	114
Other debt securities	—	—	—	—	—	—
Total fixed maturities	12,632	111	219	3	12,851	114
Mutual funds - debt securities	1,360	164	2,707	393	4,067	557
Mutual funds - equity securities	—	—	46,586	1,478	46,586	1,478
Equity securities	1,449	73	1,869	19	3,318	92
Other invested assets	—	—	412	140	412	140
Total	$15,441	$ 348	$51,793	$ 2,033	$67,234	$ 2,381

As of December 31, 2010	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 Months or more Fair Value	12 Months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	$ —	$ —	$ —	$ —	$ —	$ —
U.S. State and local government agency	—	—	—	—	—	—
Corporate debt securities	9,195	145	1,196	89	10,391	234
Other debt securities	137	1	—	—	137	1
Total fixed maturities	9,332	146	1,196	89	10,528	235
Mutual funds - debt securities	1,444	127	2,702	398	4,146	525
Mutual funds - equity securities	—	—	45,268	2,878	45,268	2,878
Equity securities	1,695	107	3,102	74	4,797	181
Total	$12,471	$ 380	$52,268	$ 3,439	$64,739	$ 3,819

A reconciliation of the Company's perpetual care trust activities for the three months ended March 31, 2011 is presented below:

Three months ended March 31, 2011 Fair Value @ 12/31/2010	Contributions	Distributions	Interest/ Dividends	Capital Gain Distributions	Realized Gain/ Loss	Taxes	Fees	Unrealized Change in Fair Value	Fair Value @ 3/31/2011
				(in thousands)					
$249,690	1,168	(2,383)	3,825	—	1,482	(109)	(413)	3,767	$257,027

The Company made net withdrawals out of the trusts of approximately $1.2 million during the three months ended March 31, 2011. During the three months ended March 31, 2011, purchases and sales of securities available for sale included in trust investments were approximately $53.7 million and $52.1 million, respectively. Contributions included $0.3 million of assets that were acquired through acquisitions during the three months ended March 31, 2011.

Other-than-temporary Impairments of Trust Assets

During the three months ended March 31, 2011 and 2010, the Company determined that there were no other than temporary impairments to the investment portfolio in the Perpetual Care Trusts due to credit losses.

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 $108.0 million. 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 $27.0 million.

The Interest Rate Swaps did not qualify for hedge accounting. Accordingly, the fair value of the Interest Rate Swaps were reported on the Company's balance sheet and periodic changes in the fair value of the Interest Rate Swaps were recorded in earnings. At March 31, 2010, the Company recorded a liability (the "Fair value of interest rate swaps") of approximately $1.0 million, which represented the fair value of the Interest Rate Swaps at March 31, 2010. The fair value of the Interest Rate Swaps' liability had been approximately $2.7 million at December 31, 2009. Accordingly, the Company recorded a gain on the fair value of interest rate swaps of approximately $1.7 million during the three months ended March 31, 2010. The Interest Rate Swaps were terminated in October of 2010.

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8. LONG-TERM DEBT

The Company had the following outstanding debt:

	As of March 31, 2011	As of December 31, 2010
	(in thousands)	
Insurance premium financing	$ 67	$ 215
Vehicle Financing	1,331	1,365
Acquisition Credit Facility, due September 2012 (interest rate-Libor + 4.25%)	—	15,000
Revolving Credit Facility, due September 2012 (interest rate-Libor + 3.25%)	—	18,500
Note payable - Greenlawn Acquisition	1,400	1,400
Note Payable - Nelms acquisition (net of discount)	938	866
Note Payable - Acquisition non-competes	1,623	1,646
10.25% senior notes, due 2017	150,000	150,000
Class B Senior secured notes, due 2012 (interest rate-12.50%)	—	17,500
Class C Senior secured notes, due 2012 (interest rate-12.50%)	—	17,500
Total	155,359	223,992
Less current portion	1,258	1,386
Less unamortized bond discount	3,506	3,598
Long-term portion	$150,595	$ 219,008

This note includes a summary of material terms of the Company’s senior notes, senior secured notes and credit facilities. For a more detailed description of the Company’s long-term debt agreements, see the Company’s 2010 Form 10-K.

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 Bank 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.

Indenture

On November 24, 2009, the Issuers, the Company, 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 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 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 financial covenants at March 31, 2011.

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"). The NPA was amended seven times prior to January 28, 2011 to amend borrowing levels, interest rates and covenants. Capitalized terms which are not defined in the following description shall have the same meaning assigned to such terms in the NPA, as amended.

On January 28, 2011, and in connection with the Company's February 2011 follow on public offering of common units, the Company entered into the Eighth Amendment to the Amended and Restated Credit Agreement. This amendment included the Lenders' consent to the use of a portion of the proceeds from the public offering of common units to redeem in full the outstanding $17.5 million of 12.5% Series B and $17.5 million of 12.5% Series C Senior secured notes due August 2012 and to pay an aggregate make-whole premium of $4.0 million related thereto, which represented the Company's final obligations outstanding under the Note Purchase Agreement. The make-whole premium has been classified as early extinguishment of debt on the unaudited condensed consolidated statement of operations.

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 was amended seven times prior to January 28, 2011. The current terms of the agreement are set forth below. Capitalized terms which are not defined in the following description shall have the same meaning assigned to such terms in the Credit Agreement, as amended.

On January 28, 2011, and in consideration of the Company's February 2011 follow on public offering of common units, the Company entered into the Eighth Amendment to its Amended and Restated Credit Agreement. Pursuant to the Eighth Amendment to the Credit Agreement, the Maturity Date has been extended from August 15, 2012 to January 29, 2016 and the applicable margins for each of: (i) Eurodollar Rate Loans and Letter of Credit Fees and (ii) Base Rate Loans are reduced by 50 basis points, resulting in Pricing Level 3 of the Applicable Rate (the currently applicable pricing level) of 3.75% and 2.75%, respectively.

In addition, the Company's maximum Consolidated Leverage Ratio shall be 3.65 to 1.0 for Measurement Periods ending after December 31, 2010, and the Company will not be permitted to have Maintenance Capital Expenditures, as defined in the agreement, for any Measurement Period ending in 2011, 2012 and 2013 exceeding $4.6 million, $5.2 million and $5.8 million, respectively.

The Lenders also agreed to reinstate the maximum aggregate principal amount of the acquisition credit facility to $55.0 million and to increase the Lenders' aggregate commitments by $10.0 million under each of the acquisition credit facility and the revolving credit facility, resulting in an acquisition credit facility of $65.0 million and a revolving credit facility of $55.0 million.

The Credit Agreement, as amended, requires the Borrowers to pay an unused commitment fee, which is calculated based on the amount by which the commitments under the Credit Agreement, as amended, exceed the usage of such commitments.

The agreements governing the Revolving Credit Facility and the Acquisition Credit Facility 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, 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 March 31, 2011, the Company was in compliance with all applicable financial covenants.

On April 29, 2011, the Company entered into the Second Amended and Restated Credit Agreement (the "New Credit Agreement") among the Operating Company as the Borrower, each of the subsidiaries of the Operating Company as additional Borrowers, the General Partner and the Company as Guarantors, the Lenders identified therein, and Bank of America, as Administrative Agent, Swing Line Lender and L/C Issuer. The terms of the New Credit Agreement are substantially the same as the terms of the prior agreement. The primary purpose of entering into the New Credit Agreement was to consolidate the amendments to the prior agreement and to update outdated references.

9. INCOME TAXES

As of March 31, 2011, the Company's taxable corporate subsidiaries had a federal net operating loss carryover of approximately $124.9 million, which will begin to expire in 2019 and $170.4 million in state net operating losses which begin to expire this year.

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

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

The provision for income taxes for the three months ended March 31, 2011 and 2010 is based upon the estimated annual effective tax rates expected to be applicable to the Company for 2010 and 2009, respectively.

The Company is not currently under examination by any state jurisdictions. The federal statute of limitations and certain state statutes of limitations are open from 2007 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 unaudited condensed consolidated financial statements over the next twelve months.

The Company recognizes any interest accrued related to unrecognized tax benefits in interest expense and any penalties in operating expenses. The Company has not recorded any material interest or penalties during the three months ended March 31, 2011 or 2010.

10. DEFERRED CEMETERY REVENUES, NET

At March 31, 2011 and December 31, 2010, deferred cemetery revenues, net, consisted of the following:

	As of	
	March 31, 2011	December 31, 2010
	(in thousands)	
Deferred cemetery revenue	$280,072	$ 266,754
Deferred merchandise trust revenue	41,717	30,937
Deferred merchandise trust unrealized gains	10,021	11,307
Deferred pre-acquisition margin	117,339	117,309
Deferred cost of goods sold	(39,662)	(37,904)
Deferred cemetery revenues, net	$409,487	$ 388,403
Deferred selling and obtaining costs	$ 62,701	$ 59,422

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

11. COMMITMENTS AND CONTINGENCIES

Legal

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

Leases

At March 31, 2011, 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 $0.6 million for the three months ended March 31, 2011 and $0.5 million for the three months ended 2010.

At March 31, 2011, operating leases will result in future payments in the following approximate amounts:

	(in thousands)
2012	1,612
2013	1,463
2014	915
2015	655
2016	647
Thereafter	1,868
Total	$ 7,160

12. PARTNERS' CAPITAL

Unit-Based Compensation

The Company has issued to certain key employees and management unit-based compensation in the form of unit appreciation rights and phantom partnership units. Each of these awards qualifies as an equity award.

Compensation expense recognized related to unit appreciation rights and restricted phantom unit awards for the three months ended March 31, 2011 and 2010 are summarized in the table below:

	Three months ended March 31,	
	2011	2010
	(in thousands)	
Unit appreciation rights	$ 119	$ 121
Restricted phantom units	70	54
Total unit-based compensation expense	$ 189	$ 175

As of March 31, 2011, there was approximately $1.3 million in non-vested unit appreciation rights outstanding. These unit appreciation rights will be expensed over the next 3 years.

On February 9, 2011, the Company completed a follow on public offering of 3,756,155 common units, including an option to purchase up to 731,155 common units to cover over-allotments which was exercised in full by the underwriters, at a price of $29.25 per unit, representing a 19.4% interest in the Company. Total gross proceeds from these transactions were approximately $109.9 million, before offering costs and underwriting discounts. Net proceeds of the offering, including the related capital contribution of the General Partner, after deducting underwriting discounts and offering expenses, were approximately $105.8 million. As part of this transaction, selling unitholders also sold 1,849,366 common units. The Company did not receive any of the proceeds generated by the sale of any units held by the selling unitholders.

13. ACQUISITIONS

First Quarter 2011 acquisition

On January 5, 2011, the Operating Company, StoneMor North Carolina LLC, a North Carolina limited liability company and StoneMor North Carolina Subsidiary LLC, a North Carolina limited liability company, each a wholly-owned subsidiary of the Company (collectively the "Buyer"), entered into an Asset Purchase and Sale Agreement (the "1st Quarter Purchase Agreement") with Heritage Family Services, Inc., a North Carolina corporation and an individual (collectively the "Seller").

Pursuant to the 1st Quarter Purchase Agreement, the Buyer acquired three cemeteries in North Carolina, including certain related assets, and assumed certain related liabilities. In consideration for the transfer, the Buyer paid the Seller $1.7 million in cash.

The table below reflects the Company's preliminary assessment of the fair value of net assets acquired, the purchase price and the resulting goodwill that was made in the first quarter of the year. These amounts will be retrospectively adjusted as additional information is received.

	As of March 31, 2011 Preliminary Assessment (in thousands)
Assets:	
Accounts receivable (net)	$ 97
Cemetery property	1,710
Merchandise trusts, restricted, at fair value	880
Perpetual care trusts, restricted, at fair value	344
Property and equipment	332
Other assets	100
Total assets	3,463
Liabilities	
Deferred margin	795
Merchandise liabilities	734
Perpetual care trust corpus	344
Total liabilities	1,873
Fair value of net assets acquired	1,590
Consideration paid	1,700
Goodwill from purchase	$ 110

The results of operations related to this acquisition are not material to the unaudited condensed consolidated financial statements taken as a whole.

First Quarter 2010 acquisition

On March 30, 2010, the Operating Company, StoneMor Michigan LLC, a Michigan limited liability company ("Buyer LLC") and StoneMor Michigan Subsidiary LLC, a Michigan limited liability company ("Buyer NQ Sub" and individually and collectively with StoneMor LLC and Buyer LLC, "Buyer"), each a wholly-owned subsidiary of StoneMor Partners L.P. (the "Company"), entered into an Asset Purchase and Sale Agreement (the "Purchase Agreement") with SCI Funeral Services, LLC, an Iowa limited liability company ("Parent"), SCI Michigan Funeral Services, Inc., a Michigan corporation ("SCI Michigan", and together with Parent, "SCI"), Hillcrest Memorial Company, a Delaware corporation ("Hillcrest"), Christian Memorial Cultural Center, Inc., a Michigan corporation ("Christian"), Sunrise Memorial Gardens Cemetery, Inc., a Michigan corporation ("Sunrise"), and Flint Memorial Park Association, a Michigan corporation ("Flint" and individually and collectively with Sunrise, Hillcrest and Christian, "Seller").

In connection with the Purchase Agreement, on March 30, 2010, StoneMor LLC and Plymouth Warehouse Facilities LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Company ("Plymouth" and individually and collectively with StoneMor LLC, "Warehouse Buyer"), entered into an Asset Purchase and Sale Agreement (the "Warehouse Purchase Agreement") with SCI, Hillcrest, Sunrise, Flint, Buyer NQ Sub and Buyer LLC.

Pursuant to the Purchase Agreement, Buyer acquired nine cemeteries in Michigan, including certain related assets (the "Acquired Assets"), and assumed certain related liabilities (the "Assumed Liabilities"). In consideration for the transfer of the Acquired Assets and in addition to the assumption of the Assumed Liabilities, Buyer paid Seller approximately $14.1 million (the "Closing Purchase Price") in cash.

Pursuant to the Warehouse Purchase Agreement, Warehouse Buyer acquired one warehouse in Michigan from SCI, including certain related assets, and assumed certain related liabilities for $0.5 million in cash, which was deemed part of the $14.1 million consideration paid in connection with the Purchase Agreement.

The Purchase Agreement and Warehouse Purchase Agreement also include various representations, warranties, covenants, indemnification and other provisions which are customary for transactions of this nature.

In the fourth quarter of 2010, the Company obtained additional information regarding the fair value of the net assets acquired in the Purchase Agreement. This change to the provisional purchase price allocation resulted in a recast of amounts originally reported on Form 10-Q for the first quarter of 2010. The table below reflects the Company's final assessment of these fair values and all amounts have been retrospectively adjusted.

	Final Assessment (in thousands)
Assets:	
Cemetery property	$ 33,761
Accounts receivable (net)	2,651
Merchandise trusts, restricted, at fair value	48,027
Perpetual care trusts, restricted, at fair value	15,084
Property and equipment	5,768
Total assets	105,291
Liabilities	
Deferred margin	31,094
Merchandise liabilities	30,126
Deferred income tax liability, net	7,879
Perpetual care trust corpus	15,084
Total liabilities	84,183
Fair value of net assets acquired	21,108
Consideration paid	14,015
Gain on bargain purchase	$ 7,093

If this acquisition had been consummated on January 1, 2010, on a pro forma basis, for the three months ended March 31, 2010, consolidated revenues would have been $42.2 million, consolidated net income would have been $5.8 million and consolidated net income per unit (basic and diluted) would not have changed.

The accounting for other acquisitions made in 2010 have still not been finalized and are subject to adjustment during 2011.

14. SEGMENT INFORMATION

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

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

The cemetery operations segments sell interment rights, caskets, burial vaults, cremation niches, markers and other cemetery related merchandise. The nature of the Company's customers differs in each of 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.

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

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

Segment information is as follows:

As of and for the three months ended March 31, 2011

	Cemeteries Southeast	Cemeteries Northeast	Cemeteries West	Funeral Homes	Corporate	Adjustment	Total
			(in thousands)				
Revenues							
Sales	$ 18,743	$ 7,969	$ 10,091	$ —	$ 2	$ (12,277)	$ 24,528
Service and other	8,360	5,962	8,815	—	—	(5,766)	17,371
Funeral home	—	—	—	7,480	—	(148)	7,332
Total revenues	27,103	13,931	18,906	7,480	2	(18,191)	49,231
Costs and expenses							
Cost of sales	3,718	1,600	1,554	—	—	(1,879)	4,993
Cemetery	4,951	3,070	4,065	—	—	—	12,086
Selling	6,416	2,818	2,931	—	583	(3,204)	9,544
General and administrative	2,976	1,527	1,927	—	(3)	—	6,427
Corporate overhead	—	—	—	—	5,958	—	5,958
Depreciation and amortization	331	214	509	397	995	—	2,446
Funeral home	—	—	—	5,309	—	—	5,309
Acquisition related costs	—	—	—	—	933	—	933
Total costs and expenses	18,392	9,229	10,986	5,706	8,466	(5,083)	47,696
Operating profit	$ 8,711	$ 4,702	$ 7,920	$ 1,774	$ (8,464)	$ (13,108)	$ 1,535
Total assets	$429,203	$290,432	$366,253	$62,309	$45,290	$ —	$1,193,487
Amortization of cemetery property	$ 753	$ 549	$ 179	$ —	$ —	$ (98)	$ 1,383
Long lived asset additions	$ 2,188	$ 926	$ 419	$ 67	$ 112	$ —	$ 3,712
Goodwill	$ 110	$ —	$ —	$19,851	$ —	$ —	$ 19,961

As of and for the three months ended March 31, 2010:

	Cemeteries Southeast	Cemeteries Northeast	Cemeteries West	Funeral Homes	Corporate	Adjustment	Total
			(in thousands)				
Revenues							
Sales	$ 18,656	$ 7,953	$ 6,893	$ —	$ —	$ (13,330)	$ 20,172
Service and other	7,419	5,616	3,501	—	15	(1,931)	14,620
Funeral home	—	—	—	6,040	—	(162)	5,878
Total revenues	26,075	13,569	10,394	6,040	15	(15,423)	40,670
Costs and expenses							
Cost of sales	3,771	1,582	1,011	—	5	(1,969)	4,400
Cemetery	4,292	2,845	2,110	—	—	—	9,247
Selling	6,161	2,606	2,068	—	61	(3,280)	7,616
General and administrative	2,827	1,505	1,262	—	4	—	5,598
Corporate overhead	—	—	—	—	5,089	—	5,089
Depreciation and amortization	364	190	123	279	854	—	1,810
Funeral home	—	—	—	4,441	—	(10)	4,431
Acquisition related costs	—	—	—	—	990	—	990
Total costs and expenses	17,415	8,728	6,574	4,720	7,003	(5,259)	39,181
Operating profit	$ 8,660	$ 4,841	$ 3,820	$ 1,320	$ (6,988)	$ (10,164)	$ 1,489
Total assets	$385,783	$261,467	$274,823	$34,935	$31,311	$ —	$988,319
Amortization of cemetery property	$ 791	$ 511	$ 119	$ —	$ —	$ (177)	$ 1,244
Long lived asset additions	$ 92	$ 31	$ 27,751	$ 49	$ 62	$ —	$ 27,985
Goodwill	$ —	$ —	$ —	$ 480	$ —	$ —	$ 480

Results of individual business units are presented based on our management accounting practices and management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to accounting principles generally accepted in the United States of America; therefore, the financial results of individual business units are not necessarily comparable with similar information for any other company. The management accounting process uses assumptions and allocations to measure performance of the business units. Methodologies are refined from time to time as management accounting practices are enhanced and businesses change. Revenues and associated expenses are not deferred in accordance with SAB No. 104 therefore, the deferral of these revenues and expenses is provided in the adjustment column to reconcile the Company's managerial financial statements to those prepared in accordance with GAAP. Pre-need sales revenues included within the sales category consist primarily of the sale of burial lots, burial vaults, mausoleum crypts, grave markers and memorials, and caskets. Management accounting practices included in the Southeast, Northeast, and Western Regions reflect these pre-need sales when contracts are signed by the customer and accepted by the Company. Pre-need sales reflected in the unaudited condensed consolidated financial statements, prepared in accordance with GAAP, recognize revenues for the sale of burial lots and mausoleum crypts when the product is constructed and at least 10% of the sales price is collected. With respect to the other products, the unaudited condensed consolidated financial statements prepared under GAAP recognize sales revenues when the criteria for delivery under SAB No. 104 are met. These criteria include, among other things, purchase of the product, delivery and installation of the product in the ground, and transfer of title to the customer. In each case, costs are accrued in connection with the recognition of revenues; therefore, the unaudited condensed consolidated financial statements reflect Deferred Cemetery Revenue, Net and Deferred Selling and Obtaining Costs on the balance sheet, whereas the Company's management accounting practices exclude these items.

15. FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures topic of the ASC 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. This topic also 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 this topic 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 securities and mutual funds 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 March 31, 2011 and December 31, 2010.

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As of March 31, 2011:

Merchandise Trust

Description	Level 1	Level 2 (in thousands)	Total
Assets			
Short-term investments	$ 27,984	$ —	$ 27,984
Fixed maturities:			
U.S. government and federal agency	—	—	—
U.S. state and local government agency	—	23	23
Corporate debt securities	—	10,033	10,033
Other debt securities	—	2,461	2,461
Total fixed maturity investments	—	12,517	12,517
Mutual funds - debt securities	68,966	—	68,966
Mutual funds - equity securities - real estate sector	16,269	—	16,269
Mutual funds - equity securities - energy sector	29,849	—	29,849
Mutual funds - equity securities - MLP’s	20,805	—	20,805
Mutual funds - equity securities - other	66,050	—	66,050
Equity securities			
Preferred REIT’s	16,951	—	16,951
Master limited partnerships	37,965	—	37,965
Global equity securities	22,653	—	22,653
Other invested assets	—	11,930	11,930
Total	$307,492	$24,447	$331,939

Perpetual Care Trust

Description	Level 1	Level 2 (in thousands)	Total
Assets			
Short-term investments	$ 16,353	$ —	$ 16,353
Fixed maturities:			
U.S. government and federal agency	608	—	608
U.S. state and local government agency	—	148	148
Corporate debt securities	—	23,072	23,072
Other debt securities	—	371	371
Total fixed maturity investments	608	23,591	24,199
Mutual funds - debt securities	62,248	—	62,248
Mutual funds - equity securities - real estate sector	13,721	—	13,721
Mutual funds - equity securities - energy sector	21,120	—	21,120
Mutual funds - equity securities - MLP’s	14,727	—	14,727
Mutual funds - equity securities - other	50,404	—	50,404
Equity securities			
Preferred REIT’s	26,783	—	26,783
Master limited partnerships	26,084	—	26,084
Global equity securities	769	—	769
Other invested assets	—	619	619
Total	$232,817	$24,210	$257,027

As of December 31, 2010:

Merchandise Trust

Description	Level 1	Level 2 (in thousands)	Total
Assets			
Short-term investments	$ 40,723	$ —	$ 40,723
Fixed maturities:			
U.S. government and federal agency	—	—	—
U.S. state and local government agency	—	23	23
Corporate debt securities	—	9,940	9,940
Other debt securities	—	1,538	1,538
Total fixed maturity investments	—	11,501	11,501
Mutual funds - debt securities	52,518	—	52,518
Mutual funds - equity securities - real estate sector	12,761	—	12,761
Mutual funds - equity securities - energy sector	29,119	—	29,119
Mutual funds - equity securities - MLP's	20,077	—	20,077
Mutual funds - equity securities - other	64,708	—	64,708
Equity securities			
Preferred REIT's	16,549	—	16,549
Master limited partnerships	36,520	—	36,520
Global equity securities	22,192	—	22,192
Other invested assets	—	11,650	11,650
Total	$295,167	$23,151	$318,318

Perpetual Care Trust

Description	Level 1	Level 2 (in thousands)	Total
Assets			
Short-term investments	$ 20,583	$ —	$ 20,583
Fixed maturities:			
U.S. government and federal agency	600	—	600
U.S. state and local government agency	—	148	148
Corporate debt securities	—	22,692	22,692
Other debt securities	—	508	508
Total fixed maturity investments	600	23,348	23,948
Mutual funds - debt securities	55,149	—	55,149
Mutual funds - equity securities - real estate sector	13,026	—	13,026
Mutual funds - equity securities - energy sector	21,340	—	21,340
Mutual funds - equity securities - MLP's	13,564	—	13,564
Mutual funds - equity securities - other	43,850	—	43,850
Equity securities			
Preferred REIT's	31,050	—	31,050
Master limited partnerships	25,426	—	25,426
Global equity securities	776		776
Other invested assets	—	978	978
Total	$225,364	$24,326	$249,690

All level 2 assets are priced utilizing independent pricing services. There were no level 3 assets.

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

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

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

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q, including, but not limited to, information regarding the status and progress of 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," "continue," "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 effect of the current economic downturn; the impact of our significant leverage on our operating plans; our ability to service our debt and pay distributions; the decline 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, strong cash flows and further deleveraging; uncertainties associated with the integration or anticipated benefits of our recent acquisitions or any future acquisitions; our ability to complete and fund additional acquisitions; our ability to maintain effective disclosure controls and procedures and internal control over financial reporting; 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 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, this Quarterly Report on Form 10-Q and our other reports filed with the SEC. 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.

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, has acquired additional cemeteries and funeral homes, entered into long term cemetery operating agreements, built funeral homes, and sold cemeteries and funeral homes, resulting in the operation of 260 cemeteries and 58 funeral homes.

Capitalization

In September of 2004, we completed our initial public offering. Since that time, we have completed additional follow on public offerings and debt offerings.

On February 9, 2011, we completed a follow on public offering of 3,756,155 common units, including an option to purchase up to 731,155 common units to cover over-allotments which was exercised in full by the underwriters, at a price of $29.25 per unit, representing a 19.4% interest in us. Total gross proceeds from these transactions were approximately $109.9 million, before offering costs and underwriting discounts. Net proceeds of the offering, including the related capital contribution of our General Partner, after deducting underwriting discounts and offering expenses, were approximately $105.8 million. The proceeds were used to pay off $33.5 million of debt under our credit facilities and $35.0 million of debt outstanding on our Amended NPA Notes. As part of this transaction, selling unitholders also sold 1,849,366 common units. We did not receive any of the proceeds generated by the sale of any units held by the selling unitholders.

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Overview

Cemetery Operations

We are currently the second largest owner and operator of cemeteries in the United States. As of March 31, 201, we operated 260 cemeteries in 25 states and Puerto Rico. We own 239 of these cemeteries, and we operate the remaining 21 under management or operating agreements with the nonprofit cemetery corporations that own the cemeteries. As a result of the agreements, other control arrangements and applicable accounting rules, we have treated 15 of these cemeteries as acquisitions for accounting purposes. There were three cemeteries to which we entered into a long-term operating agreement in the third quarter of 2010, and three cemeteries to which we entered into long-term operating agreements in 2009 that did not qualify as acquisitions for accounting purposes. The results of operations of these 6 cemeteries are included in our results of operations from the date we began operating the properties.

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. Revenues from cemetery operations accounted for approximately 85.1% and 85.5% of our revenues during the three months ended March 31, 2011 and 2010, respectively.

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

- at-need sales of cemetery interment rights, merchandise and services, which we recognize as revenue when we have delivered the related merchandise or performed the service;
- pre-need sales of cemetery interment rights, which we generally recognize as revenues when we have collected 10% of the sales price from the customer;
- pre-need sales of cemetery merchandise, which we recognize as revenues when we satisfy the criteria specified below for delivery of the merchandise to the customer;
- 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, excluding realized gains and losses on the sale of trust assets, 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.

The criteria for recognizing revenue related to the sale of cemetery merchandise is that such merchandise is "delivered" to our customer, which generally means that:

- the merchandise is complete and ready for installation; or
- the merchandise is either installed or stored at an off-site location, at no additional cost to us, and specifically identified with a particular customer; and
- the risks and rewards of ownership have passed to the customer.

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

Pre-need Sales

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, deferred revenues from pre-need sales and related merchandise trust earnings are reflected as a liability on our balance sheet in deferred cemetery revenues, net.

Total deferred cemetery revenues, net, also includes deferred revenues from pre-need sales that were entered into by entities we acquired prior to the time we acquired them. This includes both those entities that we acquired at the time of the formation of Cornerstone and other subsequent acquisitions. Our profit margin on pre-need sales entered into by entities we subsequently acquired is generally less than our profit margin on other pre-need sales because, in accordance with industry practice at the time these acquired pre-need sales were made, none of the selling expenses were recognized at the time of sale. As a result, we are required to recognize all of the expenses (including deferred selling expenses) associated with these acquired pre-need sales when we recognize the revenues from that sale.

Pre-need products and services are typically sold on an installment basis. Subject to state law, these contracts are normally subject to "cooling-off" periods, generally between three and thirty days, during which the customer may elect to cancel the contract and receive a full refund of amounts paid. Also subject to applicable state law, we are generally permitted to retain the amounts already paid on contracts, including any amounts that were required to be deposited into trust, on contracts cancelled after the "cooling-off" period. Historical post "cooling-off" period cancellations total approximately 10% of our pre-need sales (based on contract dollar amounts). If the products and services purchased under a pre-need contract are needed for interment before payment has been made in full, generally the balance due must be immediately paid in full.

Contracts related to pre-need installment sales are usually for a period not to exceed 60 months, with payments of principal and interest required. 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, which resulted in a rate of 4.75% for the three months ended March 31, 2011 and 2010.

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.

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.

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. At-need sales of products and services are generally required to be paid for in full at the time of sale. At that time, we will deposit amounts, as legally required, into our perpetual care trusts. We are not required to deposit any amounts into merchandise trusts for products or services that have already been delivered.

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

Acquisition related costs which include legal fees and other third party costs incurred in acquisition related activities are expensed as incurred.

Funeral Home Operations

As of March 31, 2011, we owned and operated 58 funeral homes. These properties are located in seventeen states and Puerto Rico. Thirty one of our 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 14.9% and 14.5% of our revenues during the three months ended March 31, 2011 and 2010, respectively.

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.

We generally include revenues from pre-need casket sales in the results of our cemetery operations. However, some states require that caskets be sold by funeral homes, and revenues from casket sales in those states are included in our funeral home results.

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.

2011 Developments

Significant business developments for the three months ended March 31, 2011 include the following:

- On January 5, 2011, we entered into an Asset Purchase and Sale Agreement with Heritage Family Services, Inc., a North Carolina Corporation and an individual. Pursuant to this agreement, we acquired three cemeteries in North Carolina, including certain related assets and liabilities. In consideration for the transfer we paid $1.7 million in cash.

- On February 9, 2011, we completed a follow on public offering of 3,756,155 common units, including an option to purchase up to 731,155 common units to cover over-allotments which was exercised in full by the underwriters, at a price of $29.25 per unit, representing a 19.4% interest in us. Total gross proceeds from these transactions were approximately $109.9 million, before offering costs and underwriting discounts. Net proceeds of the offering, including the related capital contribution of the General Partner, after deducting underwriting discounts and offering expenses, were approximately $105.8 million. As part of this transaction, selling unitholders also sold 1,849,366 common units. We did not receive any of the proceeds generated by the sale of any units held by the selling unitholders.

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.

As of March 31, 2011 and December 31, 2010, the market value of the assets in our merchandise trust exceeds its amortized cost by 3.1% and 3.7%, respectively and the market value of the assets in our perpetual care trust exceeds its amortized cost by 8.0% and 6.5%, respectively.

Further, we were able to raise capital via a follow on public offering of our common units, representing a limited partnership interest in us, in February of 2011 and September of 2010. In addition, as of March 31, 2011, the majority of our long-term debt consists of $150.0 million in Senior Notes which is due in 2017. We also have availability on our acquisition and revolving lines of credit of $65.0 million and $55.0 million, respectively.

The value of pre-need and at-need contracts written has not deteriorated and the aggregate values of contracts written were $56.9 million and $ 49.4 million for the three months ended March 31, 2011 and 2010, respectively. See Supplemental Data included in this Item 2 for further discussion.

Impact 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.

The Profitability Measure is primarily related to the current period value of contracts written, investment income from the merchandise and perpetual care trust and current expenses incurred. The revenue recognition rules that we must follow for GAAP purposes is not considered. We have not seen any material decline in the value of contracts written due to current economic conditions.

The coverage ratio relates to the excess of the Profitability Measure less distributions made to partners over fixed charges. We believe that this ratio will be prospectively improved as fixed charges will be reduced due to the pay down of debt from proceeds from our February 2011 follow on public offering of common units. We do not believe we are currently in danger of defaulting on this debt covenant.

The leverage ratio relates to the ratio of consolidated debt to the Profitability Measure. This measure was significantly improved due to the pay down of debt using proceeds from our February 2011 follow on public offering of common units as well as the third quarter public offering of common units. Our leverage ratio is 2.2 at March 31, 2011 as opposed to a maximum allowed ratio of 3.65. We do not believe we are currently in danger of defaulting on this debt covenant.

Segment Reporting and Related Information

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

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.

Critical Accounting Policies and Estimates

The unaudited condensed consolidated financial statements are prepared 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 (see Note 1 to the unaudited condensed consolidated financial statements). Our critical accounting policies are those that are both important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgment. These critical accounting policies are discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2010 Form 10-K. There have been no significant changes to our critical accounting policies since the filing of our 2010 Form 10-K.

Results of Operations – Segments

Three Months Ended March 31, 2011 Compared to the Three Months ended March 31, 2010

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 unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

The method of accounting we utilize to analyze our segment results of operations provides for a production based view of our business. Accordingly, the ensuing segment discussion is on a basis of accounting that differs from generally accepted accounting principles. We believe that this method allows for a critical understanding of any economic value added during a given period of time.

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Cemetery Operations – Southeast

The table below compares the results of operations for our Cemetery Operations – Southeast for the three months ended March 31, 2011 to the same period last year:

	Three months ended March 31,			
	2011	2010	Change ($)	Change (%)
		(In thousands) (non-GAAP)		
Total revenues	$27,103	$26,075	$ 1,028	3.9%
Total costs and expenses	18,392	17,415	977	5.6%
Operating profit	$ 8,711	$ 8,660	$ 51	0.6%

Revenues

Revenues for Cemetery Operations – Southeast were $27.1 million for the three months ended March 31, 2011, an increase of $1.0 million, or 3.9%, compared to $26.1 million during the same period last year.

The increase was related to an overall increase in the value of contracts written, with an increase of $0.6 million in the value of at-need contracts, offset by a decrease of $0.2 million in the value of pre-need contracts. In addition, we had an increase of $0.5 million in income from our trusts.

Total costs and expenses

Total costs and expenses for Cemetery Operations – Southeast were $18.4 million for the three months ended March 31, 2011, an increase of $1.0 million, or 5.6%, compared to $17.4 million during the same period last year.

The increase was primarily related to:

- A $0.1 million decrease in cost of goods sold. This was attributable to the corresponding increase in the value of contracts written.
- A $0.3 million increase in selling expenses. This was primarily attributable to an increase in advertising expenses.
- A $0.7 million increase in cemetery expenses. The increase was primarily due to increases of $0.3 million in labor costs, $0.2 million in repair and maintenance costs, an increase of $0.1 million in real estate taxes and an increase of $0.1 million in utility and fuel costs.
- A $0.2 million increase in general and administrative expense primarily due to an increase in labor costs and insurance expense.

Cemetery Operations – Northeast

The table below compares the results of operations for our Cemetery Operations – Northeast for the three months ended March 31, 2011 to the same period last year:

	Three months ended March 31,			
	2011	2010	Change ($)	Change (%)
		(In thousands) (non-GAAP)		
Total revenues	$13,931	$13,569	$ 362	2.7%
Total costs and expenses	9,229	8,728	501	5.7%
Operating profit	$ 4,702	$ 4,841	$ (139)	-2.9%

Revenues

Revenues for Cemetery Operations – Northeast were $13.9 million for the three months ended March 31, 2011, an increase of $0.4 million, or 2.7%, compared to $13.6 million during the same period last year.

The increase was related to an overall increase in the value of contracts written, with an increase of $0.8 million in the value of at-need contracts, offset by a decrease of $0.3 million in the value of pre-need contracts. In addition, we had a decrease of $0.1 million in income from our trusts.

Total costs and expenses

Total costs and expenses for Cemetery Operations – Northeast were $9.2 million for the three months ended March 31, 2011, an increase of $0.5 million, or 5.7%, compared to $8.7 million during the same period last year.

The increase was primarily related to:

- A $0.2 million increase in selling expense. This was primarily attributable to an increase of $0.1 million in advertising costs and $0.1 million in labor costs.
- A $0.2 million increase in cemetery expenses. The increase was primarily due to increases of $0.2 million in labor costs and $0.1 million in utility and fuel costs, offset by a decrease of $0.1 million in repair and maintenance costs.

Cemetery Operations – West

In 2010, we acquired 19 cemeteries in our Cemetery Operations – West segment. All of these acquisitions occurred subsequent to March 30, 2010. Therefore, the results of operations for these properties are included in the three months ended March 31, 2011, but not in the three months ended March 31, 2010. These additions are the main factor causing the increases to all revenue and expense categories across this segment. The table below compares the results of operations for our Cemetery Operations – West for the three months ended March 31, 2011 to the same period last year:

	Three months ended March 31,			
	2011	2010	Change ($)	Change (%)
	(In thousands) (non-GAAP)			
Total revenues	$18,906	$10,394	$ 8,512	81.9%
Total costs and expenses	10,986	6,574	4,412	67.1%
Operating profit	$ 7,920	$ 3,820	$ 4,100	107.3%

Revenues

Revenues for Cemetery Operations – West were $18.9 million for the three months ended March 31, 2011, an increase of $8.5 million, or 81.9%, compared to $10.4 million during the same period last year.

The increase was primarily related to an increase of $2.0 million in the value of pre-need contracts written, an increase of $2.8 million in the value of at-need contracts written and an increase of $3.5 million in income from our trusts.

Total costs and expenses

Total costs and expenses for Cemetery Operations – West were $11.0 million for the three months ended March 31, 2011, an increase of $4.4 million, or 67.1%, compared to $6.6 million during the same period last year.

The increase was primarily related to:

- A $0.5 million increase in the cost of goods sold. This was attributable to the corresponding increase in the value of contracts written.
- A $0.9 million increase in selling expense. The increase was primarily due to labor costs and commissions and is directly related to the increase in revenues.
- A $1.9 million increase in cemetery expenses. The increase was primarily due to increases of $1.3 million in labor costs, $0.3 million in utility and fuel costs, $0.2 million in repair and maintenance costs and $0.1 million in real estate taxes.
- A $0.7 million increase in general and administrative expenses. The increase was primarily due to increases of $0.5 million in labor costs and several other small increases.
- A $0.4 million increase in depreciation and amortization.

Funeral Home Segment

In 2010, we acquired 6 funeral homes. All of these acquisitions occurred subsequent to March 31, 2010. Therefore, the results of operations for these funeral homes are included in the three months ended March 31, 2011, but not in the three months ended March 31, 2010. These additions are the main factor causing the increases to all revenue and expense categories across this segment. The table below compares the results of operations for our Funeral Home segment for the three months ended March 31, 2011 as compared to the same period last year:

	Three months ended March 31,			
	2011	2010	Change ($)	Change (%)
		(In thousands) (non-GAAP)		
Total revenues	$7,480	$6,040	$ 1,440	23.8%
Total costs and expenses	5,706	4,720	986	20.9%
Operating profit	$1,774	$1,320	$ 454	34.4%

Revenues

Revenues for the Funeral Home segment were $7.5 million for the three months ended March 31, 2011, an increase of $1.5 million, or 23.8%, compared to $6.0 million during the same period last year.

The increase was primarily attributable to a $0.7 million increase in at-need revenues, a $0.5 million increase in pre-need revenues and a $0.3 million increase in other revenues.

Total costs and expenses

Total costs and expenses for the Funeral Home segment were $5.7 million for the three months ended March 31, 2011, an increase of $1.0 million, or 20.9%, compared to $4.7 million during the same period last year.

The increase was primarily attributable to an increase of $0.5 million in personnel expenses and $0.3 million in merchandise costs.

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.
- Acquisition related costs.

The table below details expenses incurred by the Corporate segment for the three months ended March 31, 2011 and for the same period last year:

	Three months ended March 31,			
	2011	2010	Change ($)	Change (%)
		(In thousands) (non-GAAP)		
Selling, cemetery and general and administrative expenses	$ 580	$ 70	$ 510	728.6%
Depreciation and amortization	995	854	141	16.5%
Acquisition related costs	933	990	(57)	-5.8%
Corporate expenses				
Corporate personnel expenses	2,764	2,532	232	9.2%
Other corporate expenses	3,194	2,557	637	24.9%
Total corporate overhead	5,958	5,089	869	17.1%
Total corporate expenses	$8,466	$7,003	$ 1,463	20.9%

Selling, cemetery and general administrative expenses allocated to the Corporate segment were $0.6 million for the three months ended March 31, 2011, an increase of $0.5 million, or 728.6% compared to $0.1 million during the same period last year. The increase is primarily related to a new sales training program started in the current year.

Total corporate expenses were $6.0 million for the three months ended March 31, 2011, an increase of $0.9 million, or 17.1% compared to the same period last year. The increase was primarily attributable to an increase of $0.2 million in labor costs, $0.2 million in professional fees, and $0.2 million in advertising costs. The remaining increase relates to various corporate office expenses including information technology, postage and utility costs.

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 segment 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.

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The table below analyzes results of operations and the changes therein for the three months ended March 31, 2011 as compared to the same period last year. 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:

	Three months ended March 31, 2011 (in thousand's)			Three months ended March 31, 2010 (in thousand's)			Change in	Change in
Revenues	Segment Results (non-GAAP)	Non-segment Results	GAAP Results	Segment Results (non-GAAP)	Non-segment Results	GAAP Results	GAAP results ($)	GAAP results (%)
Pre-need cemetery revenues	$ 27,820	$ (10,408)	$17,412	$ 26,523	$ (10,954)	$15,569	$ 1,843	11.8%
At-need cemetery revenues	19,645	(2,328)	17,317	15,214	(2,051)	13,163	4,154	31.6%
Investment income from trusts	10,290	(5,521)	4,769	6,377	(2,400)	3,977	792	19.9%
Interest income	1,543	—	1,543	1,550	—	1,550	(7)	-0.5%
Funeral home revenues	7,480	(148)	7,332	6,040	(162)	5,878	1,454	24.7%
Other cemetery revenues	644	214	858	389	144	533	325	61.0%
Total revenues	67,422	(18,191)	49,231	56,093	(15,423)	40,670	8,561	21.0%
Costs and expenses								
Cost of goods sold	6,872	(1,879)	4,993	6,369	(1,969)	4,400	593	13.5%
Cemetery expense	12,086	—	12,086	9,247	—	9,247	2,839	30.7%
Selling expense	12,748	(3,204)	9,544	10,896	(3,280)	7,616	1,928	25.3%
General and administrative expense	6,427	—	6,427	5,598	—	5,598	829	14.8%
Corporate overhead	5,958	—	5,958	5,089	—	5,089	869	17.1%
Depreciation and amortization	2,446	—	2,446	1,810	—	1,810	636	35.1%
Funeral home expense	5,309	—	5,309	4,441	(10)	4,431	878	19.8%
Acquisition related costs	933	—	933	990	—	990	(57)	-5.8%
Total costs and expenses	52,779	(5,083)	47,696	44,440	(5,259)	39,181	8,515	21.7%
Operating profit	$ 14,643	$ (13,108)	$ 1,535	$ 11,653	$ (10,164)	$ 1,489	$ 46	3.1%

Revenues

Pre-need cemetery revenues were $17.4 million for the three months ended March 31, 2011, an increase of $1.8 million, or 11.8%, as compared to $15.6 million during the same period last year. The increase was primarily caused by an increase of $1.3 million in the value of cemetery contracts written and a decrease of $0.5 million in deferred revenue. The increase in the value of pre-need contracts was primarily driven by our Cemetery Operations - West segment where we acquired 19 cemeteries subsequent to March 30, 2010. Therefore, the results of operations for these properties are included in the three months ended March 31, 2011, but not in the three months ended March 31, 2010.

At-need cemetery revenues were $17.3 million for the three months ended March 31, 2011, an increase of $4.2 million, or 31.6%, as compared to $13.2 million during the same period last year. The increase was primarily caused by an increase of $4.4 million in the value of cemetery contracts written which was offset by an increase in deferred revenue of $0.2 million.

Investment income from trusts was $4.8 million for the three months ended March 31, 2011, an increase of $0.8 million, or 19.9%, as compared to $4.0 million during the same period last year. On a segment basis, we had an increase of $3.9 million, which was offset by an adjustment of $3.1 million related to funds for which we have not met the requirements that would allow us to recognize them as revenue.

Interest income on accounts receivable remained consistent at $1.5 million for the three months ended March 31, 2011 and 2010.

Revenues for the Funeral Home segment were $7.3 million for the three months ended March 31, 2011, an increase of $1.4 million, or 24.7%, compared to $5.9 million during the same period last year. The increase was driven by the 6 funeral homes we acquired in 2010, and was primarily attributable to a $0.7 million increase in at-need revenues, a $0.5 million increase in pre-need revenues and a $0.3 million increase in other revenues.

Other cemetery revenues were $0.9 million for the three months ended March 31, 2011, a slight increase from $0.5 million during the same period last year.

Costs and Expenses

Cost of goods sold were $5.0 million during the three months ended March 31, 2011, an increase of $0.6 million, or 13.5%, as compared to $4.4 million during the same period last year. The ratio of cost of goods sold to pre-need and at-need cemetery revenues decreased slightly to 14.4% during the three months ended March 31, 2011 as compared to 15.3% during the same period last year.

Cemetery expenses were $12.1 million during the three months ended March 31, 2011, an increase of $2.8 million, or 30.7%, compared to $9.2 million during the same period last year. The major components of the overall expense increase were $1.8 million in labor costs, $0.5 million in utility and fuel cost, and $0.3 million in repairs and maintenance expenditures. 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 25.5% during the three months ended March 31, 2011 as compared to 22.2% during the same period last year.

Selling expenses were $9.5 million during the three months ended March 31, 2011, an increase of $1.9 million, or 25.3%, compared to $7.6 million during the same period last year. The majority of our selling expenses are directly related to sales commissions and bonuses, which would be directly related to changes in the value of pre-need and at-need contracts written. The ratio of selling expenses to segment level pre-need and at-need cemetery revenues increased to 20.1% during the three months ended March 31, 2011 as compared to 18.2% during the same period last year. In addition to increases in commissions and bonuses, the current period increase also includes an increase of $0.5 million related to a new sales training program started in the current year and $0.4 million in advertising costs.

General and administrative expenses were $6.4 million during the three months ended March 31, 2011, an increase of $0.8 million, or 14.8%, compared to $5.6 million during the same period last year. The majority of the increase was due to an increase in labor costs. 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 remained relatively consistent and was 13.5% during the three months ended March 31, 2011 compared to 13.4% during the same period last year.

Total corporate overhead was $6.0 million during the three months ended March 31, 2011, an increase of $0.9 million, or 17.1%, compared to $5.1 million during the same period last year. The increase was primarily caused by increases of $0.2 million in labor costs, $0.2 million in professional fees, and $0.2 million in advertising costs.

Depreciation and amortization was $2.5 million during the three months ended March 31, 2011, an increase of $0.6 million, or 35.1%, as compared to $1.8 million during the period last year. The increase was primarily due to increased depreciation and amortization from tangible and intangible assets acquired in our 2010 acquisitions.

Funeral home expenses were $5.3 million for the three months ended March 31, 2011, an increase of $0.9 million, or 19.8%, as compared to $4.4 million during the same period last year. The increase was primarily attributable to an increase of $0.5 million in personnel expenses and $0.3 million in merchandise costs, and is driven by the 6 funeral homes we acquired in 2010.

Acquisition related costs were $0.9 million for the three months ended March 31, 2011, a decrease of $0.1 million, or 5.8%, as compared to $1.0 million during the same period last year. These costs will vary from period to period depending on the amount of acquisition activity that takes place.

Non-segment Allocated Results

As previously mentioned, certain income statement amounts are not allocated to segment operations. These amounts are those line items that can be found on our income statement below operating profit and above income before income taxes.

The table below summarizes these items and the changes between the three months ended March 31, 2011 and 2010:

	Three months ended March 31,			
	2011	2010	Change ($)	Change (%)
	(In thousands) (non-GAAP)			
Expenses related to refinancing	$ 453	$ —	$ 453	n/a
Gain on acquisition	—	7,093	(7,093)	-100.0%
Early extinguishment of debt	4,010	—	4,010	n/a
Increase in fair value of interest rate swaps	—	1,671	(1,671)	-100.0%
Interest expense	5,090	4,858	232	4.8%
Income tax benefit	$ (804)	$ (500)	$ (304)	60.8%

The expenses related to refinancing were incurred in the three months ended March 31, 2011 when we amended our credit facilities in January of 2011.

The gain on acquisition relates to our first quarter 2010 acquisition. Refer to Note 13 of our unaudited condensed consolidated financial statements in Item 1 of this Form 10-Q for a more detailed discussion.

The early extinguishment of debt charge of $4.0 million relates to a one-time make-whole premium we paid in connection with the early repayment of our $35.0 million in Class B and Class C Senior Secured Notes.

We entered into two interest rate swaps during the fourth quarter of 2009. During the three months ended March 31, 2010, there was a favorable increase in the fair value of the interest rate swaps of $1.7 million. The interest rate swaps were terminated in the fourth quarter of 2010.

Interest expense increased slightly due to additional interest expense related to amortized debt discounts on notes payable incurred in connections with our 2010 acquisitions. Further, for the 3 months ended March 31, 2010, we had interest rate swaps that reduced our interest payments and expense by approximately $0.4 million. The interest rate swaps were terminated in fourth quarter of 2010.

Supplemental data

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Operating Data:		
Interments performed	11,684	9,484
Interment rights sold:		
Lots	5,905	6,100
Mausoleum crypts (including pre-construction)	608	579
Niches	262	243
Total interment rights sold	6,775	6,922
Number of contracts written	23,987	19,781
Aggregate contract amount, in thousands (excluding interest)	$ 56,903	$ 49,437
Average amount per contract (excluding interest)	$ 2,372	$ 2,499
Number of pre-need contracts written	11,562	9,909
Aggregate pre-need contract amount, in thousands (excluding interest)	$ 35,411	$ 32,452
Average amount per pre-need contract (excluding interest)	$ 3,063	$ 3,275
Number of at-need contracts written	12,425	9,872
Aggregate at-need contract amount, in thousands	$ 21,492	$ 16,985
Average amount per at-need contract	$ 1,730	$ 1,721

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, make routine maintenance capital improvements and pay distributions. 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 existing debt obligations.

We believe that cash generated from operations and our borrowing capacity under our credit facilities, 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 the Company, the "Note Guarantors") and Bank 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.

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 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 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 March 31, 2011.

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"). The NPA was amended seven times prior to January 28, 2011 to amend borrowing levels, interest rates and covenants. Capitalized terms which are not defined in the following description shall have the same meaning assigned to such terms in the NPA, as amended.

On January 28, 2011, and in connection with our February 2011 follow on public offering of common units, we entered into the Eighth Amendment to the Amended and Restated Credit Agreement. This amendment included the Lenders' consent to the use of a portion of the proceeds from the public offering of common units to redeem in full the outstanding $17.5 million of 12.5% Series B and $17.5 million of 12.5% Series C senior secured notes due August 2012 and to pay an aggregate make-whole premium of $4.0 million related thereto, which represented our final obligations outstanding under the Note Purchase Agreement.

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 was amended seven times prior to January 28, 2011. The current terms of the agreement are set forth below. Capitalized terms which are not defined in the following description shall have the same meaning assigned to such terms in the Credit Agreement, as amended.

On January 28, 2011, and in consideration of our February 9, 2011 follow on public offering of common units, we entered into the Eighth Amendment to its Amended and Restated Credit Agreement. Pursuant to the Eighth Amendment to the Credit Agreement, the Maturity Date has been extended from August 15, 2012 to January 29, 2016 and the applicable margins for each of: (i) Eurodollar Rate Loans and Letter of Credit Fees and (ii) Base Rate Loans are reduced by 50 basis points, resulting in Pricing Level 3 of the Applicable Rate (the currently applicable pricing level) of 3.75% and 2.75%, respectively.

In addition, our maximum Consolidated Leverage Ratio shall be 3.65 to 1.0 for Measurement Periods ending after December 31, 2010 and we will not be permitted to have Maintenance Capital Expenditures, as defined in the agreement, for any Measurement Period ending in 2011, 2012 and 2013 exceeding $4.6 million, $5.2 million and $5.8 million, respectively.

The Lenders also agreed to reinstate the maximum aggregate principal amount of the acquisition credit facility to $55.0 million and to increase the Lenders’ aggregate commitments by $10.0 million under each of the acquisition credit facility and the revolving credit facility, resulting in an acquisition credit facility of $65.0 million and a revolving credit facility of $55.0 million. The maximum and average amounts outstanding under these facilities during the 3 months ended March 31, 2011 were $33.5 million and $14.9 million, respectively.

The Credit Agreement, as amended, requires the Borrowers to pay an unused commitment fee, which is calculated based on the amount by which the commitments under the Credit Agreement, as amended, exceed the usage of such commitments.

The agreements governing the Revolving Credit Facility and the Acquisition Credit Facility contain 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. A material decrease in sales could cause us to breach certain financial covenants, such as the leverage ratio and the interest coverage ratio, under the our Credit Agreement, as amended. Any such breach could allow the lenders to accelerate (or create cross-default under) our debt which would have a material adverse effect on our business, financial condition or results of operations. As of March 31, 2011, we were in compliance with all applicable covenants. For a more detailed description of our long-term debt agreements, see our 2010 Form 10-K.

On April 29, 2011, we entered into the Second Amended and Restated Credit Agreement (the “New Credit Agreement”) among us as the Borrower and each of our subsidiaries as additional Borrowers, the General Partner and us as Guarantors, the Lenders identified therein, and Bank of America, as Administrative Agent, Swing Line Lender and L/C Issuer. The terms of the New Credit Agreement are substantially the same as the terms of the prior agreement. The primary purpose of entering into the New Credit Agreement was to consolidate the amendments to the prior agreement and to update outdated references.

Cash Flow from Operating Activities

Cash flows provided by operating activities were $0.6 million during the three months ended March 31, 2011, a decrease of $3.4 million compared to cash provided by operating activities of $4.0 million during the same period last year. The decrease is primarily due to a reduction in accounts payable and cash flows into the merchandise trusts.

Cash Flow from Investing Activities

Net cash used in investing activities was $4.2 million during the three months ended March 31, 2011 as compared to $14.8 million during the same period last year. Cash flows used for investing activities during the three months ended March 31, 2011 were $1.7 million for the acquisition of three cemetery properties and $2.5 million for other capital expenditures compared to $14.0 million utilized for the acquisition of nine cemetery properties and $0.8 million for other capital expenditures during the three months ended March 31, 2010.

Cash Flow from Financing Activities

Cash flows provided by financing activities were $23.5 million during the three months ended March 31, 2011 as compared to $10.4 million during the same period last year. Cash flows provided by financing activities for the three months ended March 31, 2011 were $103.6 million of proceeds from our public offering and contribution from our general partner of

$2.2 million offset by net repayments of long-term debt of $69.0 million, cash distributions to unit holders of $9.3 million and the payment of a $4.0 million make-whole premium related to the pay-off of $35.0 million in senior secured notes. Cash flows provided by financing activities for the three months ended March 31, 2010 were $18.0 million of net borrowings, which were in turn primarily used to fund the acquisition of nine cemetery properties and the related expenses offset $7.7 million of cash distributions to unit holders.

Capital Expenditures

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

	Three months ended March 31, 2011	2010
	(In thousand's)	
Maintenance capital expenditures	$ 1,759	$ 388
Expansion capital expenditures	2,406	14,430
Total capital expenditures	$ 4,165	$ 14,818

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.

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.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The information presented below should be read in conjunction with the notes to our unaudited condensed consolidated financial statements included under Part I "Item 1 – Financial Statements" in this Quarterly Report on Form 10-Q.

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 debt and 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 March 31, 2011, the fair value of fixed-income securities in our merchandise trusts represented 3.8% of the fair value of total trust assets while the fair value of fixed-income securities in our perpetual care trusts represented 9.4% of the fair value of total trust assets. The aggregate quoted fair value of these fixed-income securities was $12.5 million and $24.2 million in merchandise trusts and perpetual care trusts, respectively, as of March 31, 2011. Each 1% change in interest rates on these fixed-income securities would result in changes of approximately $125,000 and $242,000 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 March 31, 2011, the fair value of money market and short-term investments in our merchandise trusts represented 8.4% of the fair value of total trust assets while the fair value of fixed-income securities in our perpetual care trusts represented 6.4% of the fair value of total trust assets. The aggregate quoted fair value of these fixed-income securities was $28.0 million and $16.4 million in merchandise trusts and perpetual care trusts, respectively, as of March 31, 2011. Each 1% change in interest rates on these fixed-income securities would result in changes of approximately $280,000 and $164,000 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 both individual equity securities as well as closed and open ended mutual funds. As of March 31, 2011, the fair value of marketable individual equity securities in our merchandise trusts represented 23.4% of the fair value of total trust assets while the fair value of marketable individual equity securities in our perpetual care trusts represented 20.9% of total trust assets. The aggregate quoted fair market value of these marketable individual equity securities was $77.6 million and $53.6 million in merchandise trusts and perpetual care trusts, respectively, as of March 31, 2011, 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 $7.8 million and $5.4 million in the fair market value of securities held in merchandise trusts and perpetual care trusts, respectively. As of March 31, 2011, the fair value of marketable closed and open ended mutual funds in our merchandise trusts represented 60.8% 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 63.1% of total trust assets. The aggregate quoted fair market value of these closed and open ended mutual funds was $201.9 million and $162.2 million in merchandise trusts and perpetual care trusts, respectively, as of March 31, 2011, 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 $20.2 million and $16.2 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.

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 unaudited condensed 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 March 31, 2011, we did not have any outstanding borrowings under our Acquisition Credit Facility or Revolving Credit Facility. Our availability under the Acquisition Credit Facility and Revolving Credit Facility is $65.0 million and $55.0 million, respectively. The interest rate on these facilities was 6.5% at March 31, 2011.

Item 4. 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, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, 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 our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon, and as of the date of this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in our reports under the Securities Exchange Act of 1934 as amended is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Material Weakness Identified in 2010

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. In the fourth quarter, we identified the following material weakness in our assessment of the effectiveness of internal control over financial reporting:

We did not design and implement adequate controls related to the implementation of a new accounting standard for a material class of transactions, specifically in this instance, applying consolidation guidance to determine whether and how to consolidate another entity as it relates to our cemetery operating agreements. This material weakness resulted in the restatement of previously issued financial statements for the quarters ended June 30, 2009, September 30, 2009 and September 30, 2010 and the year ended December 31, 2009 for material adjustments that were necessary to present the financial statements for such periods in accordance with generally accepted accounting principles.

Plan for Remediation

To remediate the aforementioned material weakness, we implemented a series of controls designed to help ensure that all new accounting standards for material classes of transactions are sufficiently researched and that our conclusions relative to the effect of such pronouncements on us are communicated to management, the Audit Committee and our auditors. These controls include the following procedures:

1. Once it has been determined that a new accounting pronouncement that impacts us has been adopted, the Director of Financial Reporting will disseminate the relevant authoritative literature to the senior members of the accounting department, including the Vice President of Financial Reporting and Investor Relations and the Chief Financial Officer.

2. The pronouncement and its impact on the accounting policies and disclosure will be discussed among such senior members of the accounting department.

3. The Director of Financial reporting will prepare an analysis which will include an item by item assessment of the guidance and its potential impact on us and circulate this analysis to senior accounting management, the Audit Committee, and the Company's external auditor for discussion and review.

4. Once consensus has been formed as to the appropriate accounting treatment, the new standard will be adopted and implemented.

An analysis of all new accounting guidance issued during the third and fourth quarter of 2010 and the first quarter of 2011 was completed. A detailed analysis of guidance that affects us was completed and presented to senior management, our audit committee, and our external auditors. We also employed a new Director of Financial Reporting and added a senior accountant to this function to give us additional resources to address and implement new accounting pronouncements.

We have continued to follow the steps outlined above in the remediation plan and as a result, the Company's management believes that it has taken appropriate steps to remediate this material weakness and the continued execution of this procedure will serve to remediate the material weakness in the future.

Changes in Internal Control over Financial Reporting

Except as described above with respect to remediation, there have been no changes in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

We and certain of our subsidiaries are parties to legal proceedings that have arisen in the ordinary course of business. We do not expect these matters to have a material adverse effect on our consolidated financial position, results of operations 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 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and in other reports filed with the SEC which could materially affect our business, financial condition or future results.

The risks described in the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and in other reports filed with the SEC are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by us described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved).

Item 5. Other Information.

None.

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Item 6. Exhibits

Exhibit Number	Description
10.1	Amendment No. 1 to Omnibus Agreement entered into on, and effective as of, January 24, 2011 by and among MDC IV Trust U/T/A November 30, 2010, MDC IV Associates Trust U/T/A November 30, 2010, Delta Trust U/T/A November 30, 2010 (successors respectively to McCown De Leeuw & Co. IV, L.P., a California limited partnership, McCown De Leeuw IV Associates, L.P., a California limited partnership, Delta Fund LLC, a California limited liability company, and MDC Management Company IV, LLC, a California limited liability company), Cornerstone Family Services LLC, a Delaware limited liability company, CFSI LLC, a Delaware limited liability company, StoneMor Partners L.P., a Delaware limited partnership, StoneMor GP LLC, a Delaware limited liability company, for itself and on behalf of the Partnership in its capacity as general partner of the Partnership, and StoneMor Operating LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on January 28, 2011).
10.2	Eighth Amendment to Amended and Restated Credit Agreement, dated January 28, 2011, 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 February 3, 2011).
10.3	2011 Director Compensation (incorporated by reference to Exhibit 10.22 of Registrant's Annual Report on Form 10-K filed on March 30, 2011).
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)

SIGNATURES

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

	STONEMOR PARTNERS L.P. By: StoneMor GP LLC its general partner
May 10, 2011	/s/ Lawrence Miller Lawrence Miller Chief Executive Officer, President and Chairman of the Board of Directors (Principal Executive Officer)
May 10, 2011	/s/ William R. Shane William R. Shane Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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Exhibit 31.1

CERTIFICATION

I, Lawrence Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 10, 2011

By: /s/ Lawrence Miller
Lawrence Miller
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, William R. Shane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 10, 2011

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 Quarterly Report of the Partnership on Form 10-Q for the quarter ended March 31, 2011 (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
(Principal Executive Officer)

Date: May 10, 2011

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 officer of StoneMor GP LLC, the general partner of StoneMor Partners, L.P. (the "Partnership"), does hereby certify with respect to the Quarterly Report of the Partnership on Form 10-Q for the quarter ended March 31, 2011 (the "Report") that:

3. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

4. 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
(Principal Financial Officer)

Date: May 10, 2011

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.