

STONEMOR PARTNERS LP  
Form DEF 14A  
October 09, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of**  
**the Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**STONEMOR PARTNERS L.P.**

**(Name of Registrant as Specified in Its Charter)**

N/A

**(Name of Person(s) Filing Proxy Statement if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No Fee Required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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**StoneMor Partners L.P.**  
**311 Veterans Highway, Suite B**  
**Levittown, PA 19056**

Dear Unitholder:

You are cordially invited to attend the special meeting, in lieu of an annual meeting, of unitholders of StoneMor Partners L.P. to be held on Thursday, November 13, 2014 at 11:00 a.m., Eastern Standard Time, at the offices of Blank Rome LLP located at One Logan Square, 130 North 18th Street, Philadelphia, PA 19103.

Details regarding the business to be conducted at the special meeting are described in the accompanying notice of the special meeting and proxy statement. We encourage you to read these materials carefully.

Your vote is important. Whether you plan to attend the special meeting in person or not, we hope you will vote as soon as possible. You may vote electronically through the Internet or by telephone, as described in the accompanying materials, or by completing and signing the enclosed proxy card and returning it in the self-addressed envelope provided for your convenience. Please review the instructions for each of your voting options described in the proxy statement.

On behalf of the board of directors of our general partner, StoneMor GP LLC, I would like to express our appreciation for your continued support. We look forward to seeing you at the special meeting.

Sincerely,

Lawrence Miller

Chief Executive Officer, President and

Chairman of the Board of Directors of StoneMor GP LLC, general partner of

StoneMor Partners L.P.

October 9, 2014

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**STONEMOR PARTNERS L.P.**

**311 Veterans Highway, Suite B**

**Levittown, PA 19056**

**NOTICE OF SPECIAL MEETING OF UNITHOLDERS**

**TO BE HELD ON NOVEMBER 13, 2014**

To Our Unitholders:

The special meeting, in lieu of an annual meeting, of unitholders of StoneMor Partners L.P. will be held on Thursday, November 13, 2014 at 11:00 a.m., Eastern Standard Time, at the offices of Blank Rome LLP located at One Logan Square, 130 North 18th Street, Philadelphia, PA 19103, for the following purposes:

- (i) to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014;
- (ii) to approve the StoneMor Partners L.P. 2014 Long-Term Incentive Plan;
- (iii) to approve the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the StoneMor Partners L.P. 2014 Long-Term Incentive Plan; and
- (iv) to transact such other business as may properly come before the special meeting or any postponement or adjournment thereof.

You may obtain directions to the offices of Blank Rome LLP by contacting Blank Rome LLP directly at 215-569-5500 or accessing the firm's Web site at <http://www.blankrome.com/phl>.

Only unitholders of record at the opening of business on October 7, 2014 are entitled to notice of, and to vote at, the special meeting and at any postponements or adjournments thereof.

**YOUR VOTE IS IMPORTANT. YOU ARE CORDIALLY INVITED TO ATTEND THE SPECIAL MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING IN PERSON, YOU ARE URGED TO VOTE YOUR COMMON UNITS PROMPTLY TO ENSURE THEY ARE REPRESENTED AT THE SPECIAL MEETING. YOU MAY SUBMIT YOUR PROXY VOTE BY TELEPHONE OR ELECTRONICALLY THROUGH THE INTERNET AS DESCRIBED IN THE FOLLOWING MATERIALS OR BY COMPLETING AND SIGNING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE SELF-ADDRESSED ENVELOPE PROVIDED. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.**

By Order of the Board of Directors of StoneMor GP LLC, the general partner of StoneMor Partners L.P.,

Timothy Yost

Chief Financial Officer of StoneMor GP LLC

Levittown, Pennsylvania

October 9, 2014

**IMPORTANT NOTICE REGARDING THE AVAILABILITY  
OF PROXY MATERIALS FOR THE SPECIAL MEETING OF UNITHOLDERS TO BE HELD ON  
NOVEMBER 13, 2014**

**The Notice of the Special Meeting, Proxy Statement and**

**Proxy Card are available at**

**<http://www.astproxyportal.com/ast/13687/>**

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**STONEMOR PARTNERS L.P.**

**311 Veterans Highway, Suite B**

**Levittown, PA 19056**

**PROXY STATEMENT**

**Special Meeting of Unitholders**

**To Be Held on November 13, 2014**

**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING**

**Why did I receive these proxy materials?**

We are providing these proxy materials to you in connection with the solicitation of proxies by the board of directors of our general partner to be voted at the special meeting, in lieu of an annual meeting, of unitholders of StoneMor Partners L.P. and any adjournments or postponements thereof. The notice of the special meeting, this proxy statement and the accompanying form of proxy are first being sent or given to our unitholders on or about October 9, 2014.

Unless the context requires otherwise, references to we, us or our in this proxy statement refer to StoneMor Partners L.P. and its subsidiaries.

**What is a proxy?**

A proxy is your legal designation of another person, also referred to as the proxy, to vote on your behalf. By properly signing and returning the enclosed proxy card or by voting by Internet or telephone, you are giving the persons who our general partner's board of directors designated as proxies the authority to vote your common units representing limited partner interests, referred to as common units or units, in the manner that you indicate on your proxy card or by voting by Internet or telephone. The board of directors has designated Messrs. Lawrence Miller and Timothy Yost, acting together or singly, to serve as proxies for the special meeting.

**When and where will the special meeting be held?**

The special meeting, in lieu of an annual meeting, will be held on Thursday, November 13, 2014 at 11:00 a.m., Eastern Standard Time, at the offices of Blank Rome LLP located at One Logan Square, 130 North 18th Street, Philadelphia, PA 19103.

**What is the purpose of the special meeting?**

At the special meeting, our unitholders will consider and vote on the following proposals: (i) the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014; (ii) the approval of the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, referred to as the incentive plan; and (iii) the approval of the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the incentive plan; and such other business as may properly come before the special meeting or any postponement or adjournment thereof.



The board of directors unanimously recommends that you vote **FOR** the foregoing proposals.

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### **Why are we asking unitholders to approve the incentive plan?**

We are asking you to approve the new incentive plan because our current equity incentive plan – the StoneMor Partners L.P. Long-Term Incentive Plan, as amended, referred to as the 2004 plan or 2004 long-term incentive plan, expired on September 10, 2014 pursuant to its terms. Although outstanding awards under the 2004 plan continue in effect upon the expiration of the 2004 plan, we are unable to grant new awards under the 2004 plan after September 10, 2014. Our common units are traded on the New York Stock Exchange, referred to as the NYSE. We are asking for your approval of the incentive plan to comply with the NYSE listing standards requiring unitholder approval of a new equity compensation plan, pursuant to which common units may be acquired by officers, other employees, directors, or consultants.

The board of directors of our general partner unanimously approved the incentive plan effective September 24, 2014, subject to unitholder approval. If you do not vote **FOR** the approval of the incentive plan at the special meeting, we may not get sufficient votes to approve the incentive plan. If our unitholders do not approve the incentive plan at the special meeting, we will be unable to grant unit-based awards or settle unit-based awards that may be granted subject to unitholder approval, and we may be compelled to significantly increase the cash component of our director and employee compensation, which may not necessarily align director or employee compensation interests with the investment interests of our unitholders as well as the alignment provided by equity-based awards. Replacing equity awards with cash would also increase cash compensation expense and divert cash away from more impactful uses, such as investment in our business operations.

### **Are the terms of the incentive plan substantially different from the terms of the 2004 plan?**

Generally, the terms of the incentive plan and the 2004 plan are similar. The incentive plan provides us with more flexibility in granting various types of awards and includes, for example, unit awards, which were not part of the 2004 plan. See Proposal Two Approval of StoneMor Partners L.P. 2014 Long-Term Incentive Plan for a description of the terms of the incentive plan.

### **Who is entitled to vote at the special meeting?**

All unitholders who owned common units at the opening of business on the record date, October 7, 2014, are entitled to notice of the special meeting and to vote the common units that they held at the opening of business on the record date at the special meeting, or any adjournments or postponements thereof. Each unit is entitled to one vote on each matter properly brought at the special meeting. There were 29,131,835 common units issued and outstanding at the opening of business on the record date.

### **How many common units must be present or represented by proxy at the special meeting to conduct business at the special meeting?**

A quorum of unitholders is necessary to hold a valid special meeting. In order for a quorum to be present at the special meeting, a majority of the issued and outstanding common units at the opening of business on the record date must be present in person or represented by proxy at the special meeting. All such common units that are present in person or represented by proxy at the special meeting will be counted in determining whether a quorum is present, including abstentions and broker non-votes.

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**How many votes does it take to approve the proposals at the special meeting?**

Under the partnership agreement, the act of holders of our issued and outstanding common units that in the aggregate represent a majority of such units entitled to vote and that are present in person or by proxy at the special meeting will be deemed to constitute the act of our unitholders with respect to the following proposals: (i) the ratification of the appointment of Deloitte & Touche LLP, (ii) the approval of the incentive plan, and (iii) the approval of the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the incentive plan, and the approval of any other business as may properly come before the special meeting, or any postponement or adjournment thereof. We are seeking your approval of the incentive plan pursuant to the NYSE listing standards, and the incentive plan will not be effective under such standards unless it is approved by a majority of the votes cast by our unitholders.

The adoption of the foregoing proposals requires the affirmative vote of a majority of the votes cast at the special meeting by our unitholders. An abstention on any of these proposals will have the same legal effect as an against vote. A broker non-vote will not be counted as having been voted, or as a vote cast, on any of these proposals or the approval of any other business as may properly come before the special meeting, or any postponement or adjournment thereof.

**How do I vote my common units if they are registered in my name?**

If your common units are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, you are considered, with respect to those common units, the unitholder of record and we directly provided these proxy materials to you. Unitholders of record may vote in person at the special meeting or by proxy using the enclosed proxy card, by telephone or electronically through the Internet.

The deadline for unitholders of record to vote by telephone or electronically through the Internet is 11:59 p.m., Eastern Standard Time, on November 12, 2014. Set forth below is a summary of the voting methods which unitholders of record may utilize to submit their votes by proxy:

*Vote by Telephone* 1-800-PROXIES (1-800-776-9437), or 1-718-921-8500 for unitholders calling from outside the United States. Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week. Have your proxy card in hand when you call. You will be prompted to enter the company number, account number and your control number, which are located on your proxy card and then follow the directions given.

*Vote Electronically through the Internet* <http://www.voteproxy.com>. Use the Internet to vote your proxy 24 hours a day, 7 days a week. Have your proxy card in hand when you access the Web site. You will be prompted to enter the company number, account number and your control number, which are located on your proxy card to create and submit an electronic ballot.

*Vote by Mail* Complete, sign and date your proxy card and return it in the postage-paid envelope we have provided you. If you are a unitholder of record and you do not have the prepaid envelope, please mail your completed proxy card to Operation Center, American Stock Transfer & Trust Company, LLC, 6201 15th Avenue, Brooklyn, NY 11219-9821.

Whether or not you plan to attend the special meeting, we urge you to vote promptly using one of these methods to ensure your vote is counted.



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If you vote by telephone or electronically through the Internet, you do not need to return your proxy card.

Please note that although there is no charge to you for voting by telephone or electronically through the Internet, there may be costs associated with electronic or telephonic access such as usage charges of Internet service providers and telephone companies. We do not cover these costs; they are solely your responsibility. Please note, the telephone and Internet voting procedures available to you are not prohibited as forms of granting proxies under the Delaware Revised Uniform Limited Partnership Act and our Second Amended and Restated Agreement of Limited Partnership, referred to as the partnership agreement.

### **How do I vote my common units if they are held in street name ?**

If your common units are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of common units held in street name. The organization holding your common units is considered the unitholder of record for purposes of voting at the special meeting and such organization provided you with these proxy materials.

As a beneficial owner of common units held in street name, you have the right to direct the organization holding your common units on how to vote the common units held in your account using the voting instructions received from such organization. Your broker will not vote your common units for the approval of the incentive plan unless you provide instructions on how to vote. Please contact your broker if you have not received a request for voting instructions.

You may vote in person at the special meeting only if you obtain a legal proxy from the broker, trustee or nominee that holds your common units giving you the right to vote the common units at the special meeting.

### **What is a broker non-vote?**

A broker non-vote occurs when common units held of record by a broker are not voted with respect to a proposal because the broker does not have discretionary voting power with respect to that proposal and has not received voting instructions from the beneficial owner. If you are a beneficial owner whose common units are held of record by a broker, your broker has discretionary voting authority to vote your common units on the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014, even if the broker does not receive voting instructions from you. However, your broker does not have discretionary authority to vote on the approval of the incentive plan without instructions from you, in which case a broker non-vote will occur and your common units will not be voted on this matter.

### **What can I do if I change my mind after I vote?**

If you are a unitholder of record, you can revoke your proxy at any time before it is voted at the special meeting by:

sending a written notice of revocation to Mr. Timothy Yost at StoneMor Partners L.P., 311 Veterans Highway, Suite B, Levittown, PA 19056 before taking of the vote at the special meeting;

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delivering a valid, later-dated proxy, or a later-dated vote by telephone or on the Internet, in a timely manner;  
or

voting by ballot at the special meeting.

Please note that attendance at the special meeting will not cause your previously granted proxy to be revoked unless you specifically so request as described above. If you have instructed your broker how to vote your common units and wish to change those instructions before the vote at the special meeting, you must follow the directions received from your broker.

All common units for which proxies have been properly submitted and not revoked will be voted at the special meeting.

### **Will my proxy confer any discretionary voting authority?**

Whether or not you are able to attend the special meeting, you are urged to submit your proxy vote by telephone or electronically through the Internet or to complete and return your proxy, which will be voted as you direct on your proxy. If you sign your proxy card and return it without indicating how you would like to vote your common units, your proxy will be voted as the board of directors recommends, which is:

- (i) **FOR** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014;
- (ii) **FOR** the approval of the incentive plan; and
- (iii) **FOR** the approval of the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the incentive plan.

The board of directors is not aware of any other matters that will come before the special meeting or any postponement or adjournment of the special meeting. If any other matters properly come before the special meeting or any postponement or adjournment of the special meeting, the persons designated as proxies intend to vote in accordance with their best judgment on such matters. In addition, the proxy confers discretionary authority to vote with respect to matters incident to the conduct of the meeting.

### **Who is paying for this proxy solicitation?**

We will bear the cost of preparing, printing and mailing the proxy materials. In addition to mailing the proxy materials, proxies may be solicited by directors, officers, and employees of our general partner in person or by telephone, who will not be additionally compensated for such solicitation, but may be reimbursed for out-of-pocket expenses incurred in connection with such solicitation.

We will also request brokerage firms, banks, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of our common units as of the record date and will provide reimbursement for the cost of forwarding the proxy materials in accordance with customary practice.

We have retained Innisfree M&A Incorporated, referred to as Innisfree, a firm experienced in the solicitation of proxies on behalf of public companies, to assist in the proxy solicitation process at a fee of approximately \$7,000. In addition, we have agreed to pay Innisfree \$5.50 for each call it receives from

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or makes to individual record holders or non-objecting beneficial owners, as well as a service fee of \$5.00 for each invoice from banks, brokers or agents that Innisfree pays on our behalf, if any. We have also agreed to reimburse Innisfree for certain reasonable and documented costs and expenses and to indemnify it for any claims or liabilities it may incur as a result of the proxy solicitation.

If you need additional proxy materials or have any questions, please call Innisfree at (888) 750-5834. Banks and brokers can call collect at (212) 750-5833.



**Table of Contents****PROPOSAL ONE RATIFICATION OF APPOINTMENT OF DELOITTE & TOUCHE LLP**

Deloitte & Touche LLP served as our independent registered public accounting firm and conducted the audit of our consolidated financial statements for each of the fiscal years ended December 31, 2013 and 2012. The audit committee of the board of directors of our general partner, referred to as the audit committee, has approved the appointment of Deloitte & Touche LLP to serve as our independent registered public accounting firm and to audit our consolidated financial statements for the fiscal year ending December 31, 2014. You are being asked to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014.

A representative of Deloitte & Touche LLP is expected to be present at the special meeting, will have an opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions from unitholders.

Unitholder ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm is not required by applicable law, or by our Certificate of Limited Partnership, our partnership agreement or other governing documents. Nonetheless, the audit committee is submitting the appointment of Deloitte & Touche LLP to the unitholders as a matter of good practice. If the unitholders fail to ratify the appointment, the audit committee will reconsider whether or not to retain Deloitte & Touche LLP; provided, however, the audit committee retains the right to continue to engage Deloitte & Touche LLP. Even if the appointment is ratified, the audit committee may, in its discretion, direct the engagement of a different independent registered public accounting firm at any time during the year if it determines that such change would be in our best interests and in the best interests of our unitholders.

**Principal Accountant Fees and Services**

The following table sets forth the aggregate fees paid or accrued for professional services rendered by Deloitte & Touche LLP for the audit of our annual financial statements for fiscal years ended December 31, 2013 and 2012 and the aggregate fees paid or accrued for audit-related services and all other services rendered by Deloitte & Touche LLP for fiscal years ended December 31, 2013 and 2012.

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Audit fees	\$ 2,257,724	\$ 1,018,945
Audit-related fees	306,263	143,683
Tax fees	1,099,334	964,344
	<b>\$ 3,663,321</b>	<b>\$ 2,126,972</b>

The category of Audit fees includes fees for our annual audit, quarterly reviews and services rendered in connection with regulatory filings with the Securities and Exchange Commission, referred to as the SEC, such as the issuance of comfort letters and consents.

The category of Audit-related fees includes fees for services related to employee benefit plan audits, internal control reviews and accounting consultation.

The category of Tax fees includes fees for the consultation and preparation of federal, state, and local tax returns.



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All above audit services, audit-related services and tax services were pre-approved by the audit committee, which concluded that the provision of such services by Deloitte & Touche LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The audit committee's outside auditor independence policy provides for pre-approval of all services performed by the outside auditors.

**THE BOARD OF DIRECTORS OF OUR GENERAL PARTNER UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014.**

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**PROPOSAL TWO APPROVAL OF STONEMOR PARTNERS L.P.  
2014 LONG-TERM INCENTIVE PLAN**

**Reasons for the Board's Recommendation to Vote FOR the Approval of the Incentive Plan**

We are asking unitholders to approve the StoneMor Partners L.P. 2014 Long-Term Incentive Plan, which we refer to as the incentive plan. The board of directors unanimously approved the incentive plan effective September 24, 2014, subject to unitholder approval.

The board recommends a vote in favor of the approval of the incentive plan because of the critical role that unit-based awards play in aligning executive officer and unitholder interests and advancing our pay for performance goals. We believe that unit-based incentives can motivate performance by encouraging officers, other employees and directors to make decisions that increase the value of the company. We also believe our future success depends in part on our ability to attract, motivate and retain highly qualified employees and directors. The ability to provide equity-based awards under the incentive plan is a critical component to achieving this success. We would be at a distinct competitive disadvantage if we could not use equity-based awards to recruit, motivate and retain our officers, other employees, and directors.

In addition, our 2004 plan expired on September 10, 2014 pursuant to its terms. Upon the expiration of the 2004 plan, outstanding awards under the 2004 plan continue in effect in accordance with their terms, but we are unable to grant new awards under the 2004 plan.

If our unitholders do not approve the incentive plan at the special meeting, we will be unable to grant unit-based awards or settle unit-based awards that may be granted subject to unitholder approval, and we may be compelled to significantly increase the cash component of our director and employee compensation, which may not necessarily align director or employee compensation interests with the investment interests of our unitholders as well as the alignment provided by equity-based awards. Replacing equity awards with cash would also increase cash compensation expense and divert cash away from more impactful uses, such as investment in our business operations.

Our common units are traded on the NYSE. We are asking for your approval of the incentive plan to comply with the NYSE listing standards requiring unitholder approval of a new equity compensation plan, pursuant to which common units may be acquired by officers, other employees, directors, or consultants. On October 6, 2014, the last reported sale price of our common units on the NYSE was \$25.75 per common unit.

**Summary of the Incentive Plan**

The following is a summary description of the incentive plan. The statements made in this proxy statement with respect to the incentive plan should be read in conjunction with, and are qualified in their entirety by reference to, the full text of the incentive plan, a copy of which is set forth as *Appendix A* to this proxy statement.

***Purpose***

The incentive plan is intended to promote the interests of our limited partnership, our general partner and their respective affiliates by providing to employees, consultants and directors of our general partner and its affiliates incentive compensation awards to encourage superior performance. The incentive plan is also contemplated to enhance our ability and the ability of our general partner and its affiliates to attract and retain the services of individuals who are essential for our growth and profitability and to encourage them to devote their best efforts to

advancing our business.

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### ***Administration***

The incentive plan is administered by the compensation committee of the board of directors of our general partner. The compensation committee has full power and authority to: (i) designate participants; (ii) determine the type or types of awards to be granted to a participant; (iii) determine the number of common units to be covered by awards; (iv) determine the terms and conditions of any award, including, without limitation, provisions relating to acceleration of vesting or waiver of forfeiture restrictions; (v) determine whether, to what extent, and under what circumstances awards may be vested, settled, exercised, canceled, or forfeited; (vi) interpret and administer the incentive plan and any instrument or agreement relating to an award made under the incentive plan; (vii) establish, amend, suspend, or waive such rules and regulations and delegate to and appoint such agents as it deems appropriate for the proper administration of the incentive plan; and (viii) make any other determination and take any other action that the compensation committee deems necessary or desirable for the administration of the incentive plan. The committee may correct any defect or supply any omission or reconcile any inconsistency in the incentive plan or an award agreement, as the committee deems necessary or appropriate.

### ***Incentive Plan Benefits and Interests of Directors and Executive Officers in the Incentive Plan***

The incentive plan permits the grant of awards to directors, employees and consultants of our general partner and its affiliates. Accordingly, the members of the board of directors and the executive officers of our general partner have a substantial interest in the approval of the incentive plan. As of the record date, approximately 3,400 employees, including three executive officers, as well as eight directors who are not executive officers, were eligible to receive awards; however, additional participants may be added as is necessary or appropriate based upon our size and structure.

Generally, the granting of awards under the incentive plan is at the discretion of our compensation committee or the person to whom its duties are delegated; therefore, except as set forth below, we cannot currently determine which directors, employees or consultants may receive awards under the incentive plan in the future or the amount of the awards.

Under the 2004 plan, as part of their director compensation, some of our directors received phantom units, and distribution equivalent rights, referred to as DERs, accrued on phantom units previously granted to them. DERs also accrued on phantom units previously awarded to our Chief Executive Officer under the 2004 plan. DERs were credited to a participant's deferred compensation account in the form of phantom units. We expect that these awards will continue in the future under the incentive plan, however, we cannot currently determine the number of such awards because the number of phantom units and DERs to be awarded to a participant will depend on the market price of our common units.

### ***Limitation on the Number of Common Units Issuable Under the Incentive Plan***

Subject to adjustments due to recapitalization or reorganization, the maximum aggregate number of common units which may be issued pursuant to all awards under the incentive plan is 1,500,000 common units and, commencing with the first business day of each calendar year beginning with 2015, the board may increase such maximum aggregate number of common units by up to 100,000 common units per year. Common units withheld from an award or surrendered by a recipient to satisfy certain tax

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withholding obligations of our limited partnership or an affiliate or in connection with the payment of an exercise price with respect to an award shall not be considered to be common units delivered under the incentive plan. If any award is forfeited, canceled, exercised, settled in cash or otherwise terminates or expires without the actual delivery of common units pursuant to the award, the common units subject to such award will be again available for awards under the incentive plan.

*Factors Considered in Determining the Number of Common Units Issuable Under the Incentive Plan.* In determining the number of common units issuable under the proposed incentive plan, we have evaluated a number of factors, including the potential dilution associated with outstanding rights and our recent issuances of equity-based awards.

We have granted awards under the 2004 plan responsibly and conservatively. As of the opening of business on the record date, there were 29,131,835 common units issued and outstanding, of which 601,390 common units, or 2.1%, were issued under the 2004 plan. These figures do not include approximately 188,261 additional common units that would be issued under the 2004 plan upon the hypothetical exercise of the outstanding unit appreciation rights, referred to as UARs, and settlement of outstanding phantom unit awards and DERs on the record date. These numbers also do not include 27,500 UARs, that have an exercise price greater than the fair value of \$25.75 per common unit as of the opening of business on the record date. The awards granted under the 2004 plan have resulted, and are expected to result, in common unit issuances that are insubstantial to the total common units outstanding.

We believe that we have demonstrated a commitment to thoughtful and responsible equity compensation practices. We intend to continue our practice of providing incentives to key individuals through unit-based compensation grants if the incentive plan is approved. Our compensation committee, or the person to whom its duties may be delegated, would retain the discretion to determine the number and amount of awards to be granted, and future benefits that may be received by participants under the incentive plan are not determinable at this time. We recognize that unit-based compensation awards may dilute unitholder interests, and we intend to continue to carefully manage our unit-based compensation under the incentive plan, and our practices under the incentive plan are intended to be competitive and consistent with market practices.

***Types of Awards***

Awards under the incentive plan may be in the form of: (i) phantom units; (ii) restricted units (including unit distribution rights, referred to as UDRs); (iii) options to acquire common units; (iv) UARs; (v) DERs; (vi) unit awards and cash awards; and (viii) performance awards. Awards under the incentive plan may be granted either alone or in addition to, in tandem with or in substitution for any other award granted under the incentive plan. Awards granted in addition to or in tandem with other awards may be granted either at the same time as or at a different time from the other award. If an award is granted in substitution or exchange for another award, the compensation committee shall require the recipient to surrender the original award in consideration for the grant of the new award. Awards under the incentive plan may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of our general partner, our company, or any affiliates, in which the value of common units subject to the award is equivalent in value to the cash compensation, or in which the exercise price, grant price, or purchase price of the award in the nature of a right that may be exercised is equal to the fair market value of the underlying common units minus the value of the cash compensation surrendered.

*Phantom Units.* A phantom unit entitles the grantee to receive a common unit upon the vesting of the phantom unit, or at the discretion of our compensation committee, the cash equivalent of the fair market value of a common unit. The compensation committee determines the number of phantom units to





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be granted, the period of time when the phantom units are subject to forfeiture, vesting or forfeiture conditions, which may include accelerated vesting upon the achievement of certain performance goals, and such other terms and conditions the compensation committee may establish, including whether DERs are granted with respect to phantom units.

*Restricted Units.* A restricted unit is subject to a restricted period established by the compensation committee, during which the award remains subject to forfeiture or is either not exercisable by or payable to the recipient of the award. The compensation committee determines the number of restricted units to be granted, the period of time when the restricted units are subject to forfeiture, vesting or forfeiture conditions, which may include accelerated vesting upon the achievement of certain performance goals, and such other terms and conditions the compensation committee may establish. Upon or as soon as reasonably practical following the vesting of a restricted unit, the participant is entitled to have the restrictions removed from the unit certificate so that the unit will be unrestricted.

*Options.* The compensation committee determines the number of common units underlying each option, whether DERs also are to be granted with the common unit option, the exercise price and the conditions and limitations applicable to the exercise of the common unit option.

*UARs.* A UAR entitles the grantee to receive the excess of the fair market value of a common unit on the exercise date over the exercise price established for such UAR, which may be paid in cash or common units at the discretion of the compensation committee. The compensation committee determines the number of common units to be covered by each grant, whether DERs are granted with respect to such UAR, the exercise price and the conditions and the limitations applicable to the exercise of the UAR, which may include accelerated vesting upon the achievement of certain performance goals.

*DERs.* A DER entitles the grantee to receive an amount, payable either in cash or common units at the discretion of the compensation committee, equal to the cash distributions we make with respect to a unit during the period the award is outstanding. At the discretion of the compensation committee, any award, other than a restricted unit or unit award, may include a tandem grant of DERs, which may provide that the DERs will be paid directly to the participant, be reinvested into additional awards, be credited to an account subject to the same restrictions as the tandem award, if any, or be subject to such other provisions and restrictions as determined by the compensation committee.

*UDRs.* A UDR is a distribution made by us with respect to a restricted unit. At the discretion of the compensation committee, a grant of restricted units may also provide for a UDR, which will be subject to the same forfeiture and other restrictions as the restricted units. If restricted, the distributions will be held, without interest, until the restricted unit vests or is forfeited with the UDR being paid or forfeited at the same time, as the case may be. The compensation committee may also provide that distributions be used to acquire additional restricted units. When there is no restriction on the UDRs, UDRs will be paid to the holder of the restricted unit without restriction at the same time as cash distributions are paid by our company to unitholders.

*Unit Awards.* A unit award is a grant of a common unit which is not subject to a restricted period, during which the award remains subject to forfeiture or is either not exercisable by or payable to the recipient of the award. Unit awards are granted at the discretion of the compensation committee as a bonus or additional compensation or in lieu of cash compensation the recipient would otherwise be entitled to receive, in amounts as the compensation committee determines to be appropriate.

*Other Unit Based Awards and Cash Awards.* Other awards, denominated or payable in, valued in whole or in part by reference to, or otherwise based, or related to, common units, may be granted by the



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compensation committee, including convertible or exchangeable debt securities, other rights convertible or exchangeable into common units, purchase rights for common units, awards with value and payment contingent upon performance of our company or any other factors designated by the compensation committee. The compensation committee determines the terms and conditions of such other unit based awards. Additionally, cash awards may also be granted by the compensation committee, either as an element of or supplement to another award or independent of another award.

*Performance Awards.* A performance award is an award under which the participant's right to receive a grant and to exercise or receive a settlement of any award, and the vesting or timing of such award, is subject to performance conditions specified by the compensation committee. Performance conditions consist of one or more business criteria or individual performance criteria and a targeted level or levels of performance with respect to each criterion, as determined by the compensation committee. The achievement of performance conditions shall be measured over a performance period of up to ten years, as specified by the compensation committee. At the end of the applicable performance period, the compensation committee shall determine the amount, if any, of the potential performance award to which the recipient is entitled. The settlement of a performance award shall be in cash, common units or other awards or property at the discretion of the compensation committee.

### ***Amendment***

Subject to the NYSE listing standards, our general partner's board of directors or the compensation committee has the right to amend, alter, suspend, discontinue or terminate the incentive plan in any manner, including increasing the number of common units available for awards under the incentive plan. The compensation committee may waive any conditions or rights under, amend any terms of, or alter any award granted without the participants' consent, so long as the change in the award will not materially reduce the benefit to the participant. In addition, the terms and conditions of the awards may be adjusted in recognition of the subdivision or consolidation of common units, recapitalizations, or change in control, and other events affecting our capitalization, by the compensation committee in its discretion.

### ***Term and Termination***

The incentive plan became effective on the date of its approval by the board of directors of our general partner as of September 24, 2014. The incentive plan will continue in effect until the earliest of (i) the date determined by the board of directors of our general partner; (ii) the date that all common units available under the incentive plan have been delivered to participants; or (iii) the tenth anniversary of the approval of the incentive plan by the board. The authority of the board of directors or the compensation committee of our general partner's board of directors to amend or terminate any award granted prior to such termination, as well as the awards themselves, will extend beyond such termination date.

### ***Other Provisions***

*Source of Award.* Common Units delivered in connection with an award may be common units acquired by our general partner in the open market, common units acquired by our general partner directly from us, any affiliate or any other person, newly issued common units, or any combination of the foregoing.

*Tax Withholding.* We are authorized to withhold from any award or from any payment due to a participant the amount, in cash or units that would otherwise be issued pursuant to such award, of any applicable taxes payable in respect of the grant or settlement of an award, its exercise, the lapse of restrictions thereon.



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*Anti-dilution Adjustments.* If any equity restructuring events occur that could result in an additional compensation expense to our general partner or to us, pursuant to the provisions of Financial Accounting Standards Board, Accounting Standards Codification, Topic 718-Stock Compensation, referred to as ASC 718, if adjustments to awards with respect to such event were discretionary, the compensation committee will equitably adjust the number and type of common units covered by each outstanding award and the terms and conditions of the award to equitably reflect the restructuring event, and the compensation committee will adjust the number and type of common units with respect to which future awards may be granted. With respect to any other similar event that would not result in an accounting charge under ASC 718, if the adjustments to awards with respect to such event were discretionary, the compensation committee will have complete discretion to adjust any awards in such manner as it deems appropriate with respect to such other event. If such anti-dilution adjustments are made, the compensation committee will make a corresponding proportionate adjustment with respect to the maximum number of common units that may be delivered with respect to awards under the incentive plan and the kind of units or other securities available for grant under the incentive plan.

*Change of Control.* Upon a change of control, as such term is defined in the incentive plan, of our company or our general partner, the compensation committee may undertake one or more of the following actions, which may vary among individual holders and awards: (i) remove forfeiture restrictions on any award; (ii) accelerate the time of exercisability or lapse of a restricted period; (iii) provide for cash payment with respect to outstanding awards by requiring the mandatory surrender of all or some of outstanding awards; (iv) cancel awards that remain subject to a restricted period without payment to the recipient of the award; or (v) make certain adjustments to outstanding awards as the compensation committee deems appropriate.

*Certain Adjustments.* The incentive plan provides that our compensation committee may make adjustments to the incentive plan and outstanding awards upon the subdivision or consolidation of units or upon certain other changes in our capitalization, including in the event of a recapitalization, reorganization, merger, consolidation, combination or exchange.

*Transferability.* To the extent specifically provided by the compensation committee, no award under the incentive plan is transferable by a incentive plan participant other than transfers by a participant without consideration to immediate family members or related family trusts, limited partnerships or similar entities or on such terms and conditions as the compensation committee may establish from time to time.

*Forfeiture of Award.* If a director's membership on the board of directors of our general partner or an affiliate terminates for any reason, or an employee's employment with our general partner and its affiliates terminates for any reason, his or her unvested awards will be automatically forfeited unless, and to the extent that, our compensation committee or grant agreements provide otherwise.

## **Federal Income Tax Consequences**

The following is a brief summary of the U.S. federal income tax consequences applicable to awards under the incentive plan. This summary is qualified in its entirety by references to the Internal Revenue Code of 1986, as amended, referred to as the Code, and the regulations adopted under the Code. The provisions of the Code described in this section include current tax law only and do not reflect any proposals to revise current tax law. This summary is not intended to be exhaustive and does not

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address all matters relevant to a particular participant based on his or her specific circumstances. The federal income tax consequences applicable to officers, directors, and other persons who are subject to potential liability under Section 16(b) of the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act, may be different than the federal income tax consequences applicable to persons who are not subject to Section 16(b). The federal income tax consequences applicable to all persons, whether or not subject to Section 16(b), are described below.

The incentive plan is not a qualified employee benefit plan under Section 401(a) of the Code. Generally, income will be realized for federal income tax purposes by a participant at the time units or cash are delivered to a participant in the incentive plan in respect of an award, except that, in the case of restricted units (which are not phantom units) and UARs made in the form of additional units, ordinary income will be realized at the time the units are no longer subject to a substantial risk of forfeiture.

*Phantom Units.* A recipient of phantom units will not recognize any taxable income at the time of grant. When the phantom units vest, if the recipient receives a cash payment in respect of such phantom units, the recipient will recognize ordinary income equal to the amount of such payment. If the recipient receives common units in respect of such phantom units, the recipient will recognize ordinary income equal to the fair market value of our common units on the vesting date. The recipient will recognize as a capital gain or loss any profit or loss realized on the sale or exchange of any common units disposed of or sold. We will generally be entitled to a deduction, in the amount of the ordinary income recognized by the recipient, for our taxable year in which the recipient recognizes such income.

*Restricted Units.* A recipient of restricted units is not required to include the value of such units in income until the first time such recipient's rights in the units are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, unless such recipient timely files an election under Section 83(b) of the Code, to be taxed on the receipt of the restricted units. In either case, the amount of such income will be equal to the fair market value of our common units at the time the income is recognized. The recipient will recognize as a capital gain or loss any profit or loss realized on the sale or exchange of any common units disposed of or sold. We will generally be entitled to a deduction, in the amount of the ordinary income recognized by the recipient, for our taxable year in which the recipient recognizes such income.

*Options.* A recipient of unit options will not recognize any taxable income at the time of grant. Subject to Section 409A of the Code, referred to as Section 409A, upon exercise of a unit option, the recipient will recognize ordinary income equal to the difference between the exercise price and the fair market value of our common units on the date of exercise. The recipient will recognize as a capital gain or loss any profit or loss realized on the sale or exchange of any common units disposed of or sold. We will generally be entitled to deduct an amount equal to the difference between the exercise price and the fair market value of our common units on the date of exercise.

*UARs.* A recipient of UARs will not recognize any taxable income at the time of grant. However, the participant will be subject to federal income tax upon exercise of his or her UAR in an amount equal to the payment received at such time. Such income will be compensation income (not capital gain).

*DERs.* A recipient of tandem DERs will not receive any taxable income at the time of grant. However, subject to Section 409A, when the recipient receives a cash payment or distribution of common units in respect to such tandem DERs, the recipient will recognize ordinary income equal to the amount of such cash payment or equal to the fair market value of the common units distributed, as applicable. The recipient of common units will recognize as capital gain or loss any profit or loss realized on the sale or exchange of any common units subsequently disposed of or sold. We will generally be entitled to a deduction, in the amount of the ordinary income recognized by the recipient, for our taxable year in which the recipient recognizes such ordinary income.



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*UDRs.* A recipient of UDRs will not receive any taxable income at the time of grant. However, subject to Section 409A, when the recipient receives a cash payment in respect to such UDR, the recipient will recognize ordinary income equal to the amount of such cash payment. We will generally be entitled to a deduction, in the amount of the ordinary income recognized by the recipient, for our taxable year in which the recipient recognizes such ordinary income.

*Units Awards.* A recipient of a unit award is required to include the value of such units in income upon the receipt of the units. The amount of such income will be equal to the fair market value of our common units at the time the income is recognized. The recipient will recognize as a capital gain or loss any profit or loss realized on the sale or exchange of any common units disposed of or sold. We will generally be entitled to a deduction, in the amount of the ordinary income recognized by the recipient, for our taxable year in which the recipient recognizes such income.

*Section 409A.* The incentive plan provides that all awards which are subject to Section 409A be made in compliance with the requirements of such section as needed in order to allow the deferral of federal income tax on the deferred compensation resulting from the award and to avoid the constructive receipt of such deferred compensation. The rules and regulations of Section 409A are complex, and guidance on point may be lacking with respect to whether the terms of a particular award are compliant with Section 409A. If an award should be made which is subject to Section 409A and is not in compliance with its requirements with respect to deferred compensation, then the participant would be subject to taxation in the year when the award was made (or possibly a later year, but before the participant expected to be taxed), and the tax imposed would include an additional tax of 20% of the amount of the compensation deemed received and possibly additional interest charges as well.

**Equity Compensation Plan Information**

The following table details information regarding our equity compensation plan as of December 31, 2013:

<b>Plan category</b>	<b>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>(b) Weighted average exercise price of outstanding options, warrants and rights</b>	<b>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by security holders	313,592(1)	\$ 15.99	360,742
Equity compensation plans not approved by security holders	n/a	n/a	n/a
<b>Total</b>	<b>313,592</b>	<b>\$ 15.99</b>	<b>360,742</b>

- (1) Includes 162,103 in restricted phantom units and 151,489 common units that would be issued upon exercise of UARs based upon the strike price of the UAR and the fair value of our common units at December 31, 2013. Column (a) does not include the anti-dilutive effects of 52,500 UARs that have an exercise price greater than the



fair value of our common units at December 31, 2013.

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**THE BOARD OF DIRECTORS OF OUR GENERAL PARTNER UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE INCENTIVE PLAN.**

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**PROPOSAL THREE APPROVAL OF THE ADJOURNMENT OF THE SPECIAL MEETING TO A LATER DATE OR DATES, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES**

We are also asking our unitholders to vote on a proposal to adjourn the special meeting to a later date or dates, if deemed necessary or appropriate by our general partner, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the incentive plan. We currently do not intend to propose adjournment at the special meeting if there are sufficient votes to approve the incentive plan. If our unitholders approve this adjournment proposal, we may adjourn the special meeting and use the additional time to solicit additional proxies, including proxies from our unitholders who have previously voted against approval of the incentive plan.

**THE BOARD OF DIRECTORS OF OUR GENERAL PARTNER UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING TO A LATER DATE OR DATES, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES.**

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of the record date, the beneficial ownership of the common units held by: (i) each person known by us to beneficially own more than 5% of our outstanding common units; (ii) each director and named executive officer of our general partner; and (iii) all directors and executive officers of our general partner as a group. Unless otherwise indicated, the address for each unitholder is c/o StoneMor Partners L.P., 311 Veterans Highway, Suite B, Levittown, PA 19056, and each beneficial owner named in the table is deemed to have sole voting and sole dispositive power of the common units set forth opposite such beneficial owner's name.

<b>Name of Beneficial Owner</b>	<b>Amount of Beneficial Ownership</b>	<b>Percent of Class</b>
Lawrence Miller (1)	209,442	*
Timothy K. Yost	12,193	*
David L. Meyers		
William R. Shane (2)	175,092	*
Howard L. Carver	8,060	*
Jonathan Contos		
Allen R. Freedman (3)	46,420	*
Robert B. Hellman, Jr. (4)	2,271,858	7.8
Martin R. Lautman, Ph.D.	129,578	*
Leo Pound		
Fenton R. Talbott (5)	41,535	*
All directors and executive officers as a group (11 persons)	2,865,678	9.8
American Cemeteries Infrastructure Investors, LLC (4) 950 Tower Lane, Suite 800, Foster City, CA 94404	2,255,947	7.7

\* Less than one percent

- (1) Includes 64,167 common units held by LDLM Associates, LP, and 28,500 common units held by Osiris Investments, LP. Mr. Miller is the grantor and trustee of the Miller Revocable Trust, which is the general partner of LDLM Associates, LP. Mr. Miller is also a limited partner of LDLM Associates, LP, holding 98% of its limited partner interests. Mr. Miller and Mr. Shane are each 50% members of Osiris Investments LLC, which is the general partner of Osiris Investments LP. Mr. Miller therefore may be deemed to beneficially own all of the common units beneficially owned by LDLM Associates, LP and Osiris Investments, LP. Pursuant to an agreement between Mr. Miller and Bank of America, N.A., as a lender, referred to as the Lender, Mr. Miller pledged 151,200 common units as security for a loan the Lender made to Mr. Miller, referred to as the Miller Pledge Agreement. In the absence of a default, the Miller Pledge Agreement does not grant to the Lender the power to dispose or direct the disposition of the pledged securities.
- (2) Includes 64,167 common units held by Ten Twenty, LP and 28,500 common units held by Osiris Investments, LP. Mr. Shane is the general partner of Ten Twenty LP. Mr. Miller and Mr. Shane are each 50% members of Osiris Investments LLC, which is the general partner of Osiris Investments LP. Mr. Shane therefore may be deemed to beneficially own all of the units beneficially owned by Ten Twenty LP and Osiris Investments, LP. Pursuant to an agreement between Ten Twenty, LP and the Lender, Ten Twenty, LP pledged 32,196 common

units as a security for a loan the Lender made to Ten Twenty, LP, referred to as the Ten Twenty Pledge Agreement. In the absence of a default, the Ten Twenty Pledge Agreement does not grant to the Lender the power to dispose or direct the disposition of the pledged securities.

- (3) Includes 21,798 common units held by Mr. Freedman's spouse and over which Mr. Freedman may be deemed to have beneficial ownership.

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- (4) Includes 15,911 common units held by Mr. Hellman directly and 2,255,947 common units held by American Cemeteries Infrastructure Investors, LLC, referred to as ACII. AIM Universal Holdings, LLC, referred to as AUH, is the sole manager of ACII. Ms. Judy Bornstein and Messrs. Matthew P. Carbone and Robert B. Hellman Jr. are managing members of AUH, collectively referred to as the managing members. The managing members may be deemed to share voting and dispositive power over the common units held by ACII. ACII is owned by its members: American Infrastructure MLP Fund II, L.P., referred to as AIM II, American Infrastructure MLP Founders