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IPC HOLDINGS LTD
Form SC 13D/A
August 15, 2006

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

SCHEDULE 13D/A
UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. 9)

IPC HOLDINGS, LTD.
(NAME OF ISSUER)

COMMON SHARES, \$.01 PAR VALUE PER SHARE
(TITLE OF CLASS OF SECURITIES)

G4933P 10 1
(CUSIP NUMBER)

KATHLEEN E. SHANNON
SENIOR VICE PRESIDENT AND SECRETARY
AMERICAN INTERNATIONAL GROUP, INC.
70 PINE STREET
NEW YORK, NEW YORK
(212) 770-7000

(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED
TO RECEIVE NOTICES AND COMMUNICATIONS)

August 15, 2006
(DATE OF EVENT WHICH REQUIRES FILING OF THIS STATEMENT)

IF THE FILING PERSON HAS PREVIOUSLY FILED A STATEMENT ON SCHEDULE 13G TO REPORT
THE ACQUISITION WHICH IS THE SUBJECT OF THIS SCHEDULE 13D, AND IS FILING THIS
SCHEDULE BECAUSE OF RULE 13D-1(b) (3) OR (4), CHECK THE FOLLOWING BOX:

[]

(CONTINUED ON THE FOLLOWING PAGE)

CUSIP NO. G4933P 10 1

(1) Name of Reporting Person/S.S. or I.R.S.
Identification No. of Above Person

American International Group, Inc. (I.R.S. Identification No. 13-2592361)

(2) Check the Appropriate Box if a Member of a Group

(a) []

(b) []

(3) SEC Use Only

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(4) Source of Funds
WC

(5) Check if Disclosure of Legal Proceedings is Required
Pursuant to Item 2(e) or 2(f)

(6) Citizenship or Place of Organization
Delaware, U.S.A.

(7) Sole Voting Power
0

Number of Shares (8) Shared Voting Power
Beneficially Owned 0

By Each Reporting (9) Sole Dispositive Power
Person With 0

(10) Shared Dispositive Power
0

(11) Aggregate Amount Beneficially Owned by Each Reporting Person
0

(12) Check if the Aggregate Amount in Row (11) Excludes Certain Shares

(13) Percent of Class Represented by Amount in Row (11)
0%

(14) Type of Reporting Person
HC, CO

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This Amendment No. 9 (this "Amendment") to the Statement on Schedule 13D filed by American International Group, Inc. ("AIG") amends Items 4 and 5 of AIG's Statement on Schedule 13D (the "Statement") originally filed by AIG on April 9, 1996 and as amended by Amendment No. 2 filed on June 5, 1996, Amendment No. 3 filed on December 19, 2001, Amendment No. 4 filed on December 20, 2005, Amendment No. 5 filed on April 20, 2006, Amendment No. 6 filed on August 8, 2006, Amendment No. 7 filed on August 10, 2006 and Amendment No. 8 filed on August 11, 2006. The Statement relates to the common shares, par value \$.01 per share ("Common Shares"), of IPC Holdings, Ltd., a Bermuda corporation (the "Company"). The principal executive offices of the Company are located at American International Building, 29 Richmond Road, Pembroke HM08, Bermuda.

Item 4. Purpose of Transaction.

Item 4 is hereby amended to add the following:

The public offering of 15,397,000 common shares owned by AIG through Citigroup Global Markets, Inc., as representative of the several underwriters, closed on August 15, 2006.

As a result, AIG no longer has beneficial ownership of any Common Shares, and accordingly it will no longer be subject to the requirement to file a Schedule 13D.

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Item 5. Interest in Securities of the Issuer.

(a) and (b). The information requested by these paragraphs is set forth in Items 7 through 11 and 13 of the cover page of this Schedule 13D.

(c) In the past 60 days, AIG has not engaged in any transaction in Common Shares other than the public offering described in Item 4.

(d) Not applicable.

(e) August 15, 2006.

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

Dated: August 15, 2006

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Kathleen E. Shannon

Name: Kathleen E. Shannon

Title: Senior Vice President and Secretary

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The Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank

Dodd-Frank, signed into law by President Obama on July 21, 2010, authorizes the creation of a new federal Bureau of Consumer Financial Protection, or the Bureau. In addition to transferring to the Bureau rule-writing authority for nearly all federal consumer finance-related laws and giving the Bureau rule-writing authority in other areas, Dodd-Frank empowers the Bureau to conduct examinations and bring enforcement actions against certain consumer credit providers and other entities offering consumer financial products or services. The full impact of these provisions on us may not be known until regulations are promulgated. However, we could be subject to examination by the Bureau in connection with extending credit to consumers. We also could be subject to enforcement actions by the Bureau for alleged violations of Federal consumer financial laws, which would include the Bureau's ability to seek penalties and other relief on behalf of consumers that are substantially in excess of the remedies available under such laws prior to Dodd-Frank. On July 21, 2011, the Bureau will officially assume rule-writing and enforcement authority for most federal consumer finance laws, as well as authority to write rules to prohibit unfair, deceptive or abusive practices related to consumer finance.

Do Not Call Implementation Act

We are subject to the requirements of two federal statutes governing telemarketing practices, the Telephone Consumer Protection Act, or TCPA, and the Telemarketing and Consumer Fraud and Abuse Prevention Act, or TCFAPA. These statutes impose significant penalties on those who fail to comply with their mandates. The Federal Communications Commission, or FCC, is the federal agency with authority to enforce the TCPA, and the FTC, has jurisdiction under the TCFAPA. The FTC has established and implemented a national no-call registry under the TCFAPA. The legislation also establishes a private right of action for consumers against telemarketing entities under certain circumstances. The FCC has adopted regulations that largely mirror the FTC's no-call rules. Primarily as a result of implementation of the do not call legislation and regulations, the percentage of our pre-need sales generated from telemarketing leads has decreased substantially in the past ten years. We are also subject to similar telemarketing consumer protection laws in all states in which we currently operate. These states' statutes permit consumers to prevent unwanted telephone solicitations. In addition, in cases where telephone solicitations are permitted, there are various restrictions and requirements under state and federal law in connection with such calls.

Occupational Safety and Health Act and Environmental Law Requirements

We are subject to the requirements of the Occupational Safety and Health Act, or OSHA, and comparable state statutes. OSHA's regulatory requirement known as the Hazard Communication Standard, the Emergency Planning and Community Right-to-Know Act (EPCRA) and similar state statutes require us to report information about hazardous materials used or maintained for our operations to state, federal and local authorities. We may also be subject to Tier 1 or Tier 2 Emergency and Hazardous Chemical Inventory reporting requirements under EPCRA depending on the amount of hazardous materials maintained on-site at a particular facility. We are also subject to the federal Americans with Disabilities Act and similar laws which, among other things, may require that we modify our facilities to comply with minimum accessibility requirements for disabled persons.

Federal Trade Commission

Our funeral home operations are comprehensively regulated by the FTC under Section 5 of the Federal Trade Commission Act and a trade regulation rule for the funeral industry promulgated thereunder referred to as the Funeral Rule. The Funeral Rule requires funeral service providers to disclose the prices for their goods and services as soon as the subject of price arises in a discussion with a potential customer (this entails presenting an itemized price list, referred to as the General Price List, if the consultation is in person, and readily answering all price-related questions posed over the telephone), and to offer their goods and services on an unbundled basis. Through these regulations, the FTC sought to give consumers the ability to compare prices among funeral service

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providers and to avoid buying packages containing goods or services that they did not want. The unbundling of goods from services has also opened the way for third-party, discount casket sellers to enter the market, although they currently do not possess substantial market share.

In addition, our pre-need installment contracts for sales of cemetery and funeral home merchandise and services are subject to the FTC's Holder Rule, which requires disclosure in the installment contract that any holder of the contract is subject to all claims and defenses that the consumer could assert against the seller of the goods or services, subject to certain limitations.

Future Enactments and Regulation

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

Environmental Regulations and Liabilities

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

Clean Air Act

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

Emergency Planning and Community Right-to-Know Act

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

Comprehensive Environmental Response, Compensation, and Liability Act

The Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, and similar state laws affect our cemetery and funeral home operations by, among other things, imposing remediation obligations for threatened or actual releases of hazardous substances that may endanger public health or welfare or the environment. Under CERCLA and similar state laws, strict joint and several liability may be imposed on generators, site owners and operators, and others regardless of fault or the legality of the original disposal activity. Our operations include the use of some materials that may meet the definition of hazardous substances under CERCLA or state laws and thus may give rise to liability if released to the environment through a spill or release. Should we acquire new properties with pre-existing conditions triggering CERCLA or similar state

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liability, we may become liable for responding to those conditions under CERCLA or similar state laws. We may become involved in proceedings, litigation or investigations at one or more sites where releases of hazardous substances have occurred, and we cannot assure you that the associated costs and potential liabilities would not be material.

Underground and Aboveground Storage Tank Laws and Solid Waste Laws

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

Employees

As of December 31, 2010, our general partner and its affiliates employed approximately 2,516 full-time and approximately 55 part-time employees. A total of 5 employees at one of our cemeteries located in New Jersey are represented by a union and are subject to collective bargaining agreements, one which expires in September 2015 and another that will expire in June 2011. Twenty-four employees at 11 of our cemeteries located in Pennsylvania are represented by 3 different unions and are subject to collective bargaining agreements that expire in June 2015. Three employees at 1 of our cemeteries located in Illinois are represented by a union and are subject to collective bargaining agreement that is currently being renegotiated. Ten employees at 1 of our locations in California are represented by a union and are subject to a collective bargaining agreement that expires in June 2013. Seven employees at 1 cemetery in Ohio are represented by a union and are subject to collective bargaining agreement that expires in December 2013. Twenty-five employees at 3 of our cemeteries in Michigan are subject to collective bargaining agreement that expired in December 2010 and is currently being renegotiated. We believe that our relationship with our employees is good.

Available Information

We maintain an internet website with the address of <http://www.stonemor.com>. The information on this website is not, and should not be considered part, of this Annual Report on Form 10-K and is not incorporated by reference into this document. This website address is only intended to be an inactive textual reference. Copies of our reports filed with, or furnished to, the SEC on Forms 10-K, 10-Q, and 8-K and any amendments to such reports are available for viewing and copying at such internet website, free of charge, as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC.

Financial Information

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

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Item 1A. Risk Factors

Risk Factors Related to Our Business

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

We may not have sufficient cash from operations to continue paying distributions at their current level, or at all, after we have paid our expenses, including the expenses of our general partner, funded merchandise and perpetual care trusts and established necessary cash reserves.

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

the volume of our sales;

the prices at which we sell our products and services; and

the level of our operating and general and administrative costs.

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

If we do not generate sufficient cash to continue paying distributions at their current level, the market price of our common units may decline materially. We expect that we will need working capital borrowings of approximately \$21.0 million during the twelve-month period ending December 31, 2011 in order to have sufficient operating surplus to pay distributions at their current level on all of our common units for that period, although the actual amount of working capital borrowings could be materially more or less. These working capital borrowings enable us to finance the build up in our accounts receivables, and to construct mausoleums and purchase products for our pre-need sales in advance of the time of need which, in turn, allows us to generate available cash for operating surplus over time by accessing the funds held in trust for the products purchased.

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

We have a substantial amount of debt, which requires significant interest and principal payments. As of December 31, 2010, after giving effect to amendments to our credit facilities in 2011, we would have had approximately \$156.0 million of total debt outstanding, and we would have had approximately \$65.0 million of available borrowing capacity under our acquisition credit facility and approximately \$55.0 million of available borrowing capacity under our revolving credit facility. Leverage makes us more vulnerable to economic downturns. Because we are obligated to dedicate a portion of our cash flow to service our debt obligations, our cash flow available for operations and for distribution to our unitholders will be reduced. The amount of indebtedness we have could limit our flexibility in planning for, or reacting to, changes in the markets in which we compete, limit our ability to obtain additional financing, if necessary, for working capital expenditures, acquisitions or other purposes, and require us to dedicate more cash flow to service our debt than we desire. Our ability to satisfy our indebtedness as required by the terms of our debt will be dependent on, among other things,

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the successful execution of our long-term strategic plan. Subject to limitations in our debt obligations, we may incur additional debt in the future, for acquisitions or otherwise, and servicing this debt could further limit our cash flow available for operations and distribution to unitholders.

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

The operating and financial restrictions and covenants in our senior notes and senior secured debt obligations and any future financing agreements could restrict our ability to finance future operations or capital needs or to expand or pursue our business activities. For example, our senior notes and senior secured debt obligations contain covenants that restrict or limit our ability to:

enter into a new line of business;

enter into any agreement of merger or acquisition;

sell, transfer, assign or convey assets;

grant certain liens;

incur or guarantee additional indebtedness;

make certain loans, advances and investments;

declare and pay dividends and distributions;

enter into transactions with affiliates; and

make voluntary payments or modifications of indebtedness.

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

In addition, our debt obligations limit our ability to make distributions to our unitholders. Our senior notes and senior secured debt obligations prohibit us from making such distributions if we are in default, including with regard to our senior secured debt obligations as a result of our failure to maintain specified financial ratios. We cannot assure you that we will maintain these specified ratios and satisfy these tests for distributing available cash from operating surplus.

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If we violate any of the restrictions, covenants, ratios or tests in our senior secured debt obligations or senior notes indenture, the applicable lenders will be able to accelerate the maturity of all borrowings thereunder and demand repayment of amounts outstanding, and our lenders commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. Any subsequent replacement of our senior debt obligations or any new indebtedness could have similar or greater restrictions.

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A material weakness was identified in our internal controls over financial reporting as of December 31, 2010.

Due to a material weakness in our internal control over financial reporting, management concluded that our disclosure controls and procedures and internal control over financial reporting were not effective as of December 31, 2010, based on the criteria in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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. 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 adjustments that were necessary to present the financial statements for such periods in accordance with generally accepted accounting principles.

To remediate the material weakness, we have implemented a series of controls designed to help ensure that all new accounting pronouncements 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:

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.

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

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 our external auditor for discussion and review.

Once consensus has been formed as to the appropriate accounting treatment, the new standard will be adopted and implemented. In addition, we also restated previously issued financial statements to present the second quarter 2010 financial statements in accordance with generally accepted accounting principles and management concluded that our disclosure controls and procedures and internal control over financial reporting were not effective as of June 30, 2010. This also related to our application of consolidation guidance in our financial statements.

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. Management believes that the procedures described above and our changes in personnel will serve to remediate the material weakness identified, once implemented and operating effectively.

If we fail to maintain adequate disclosure controls and procedures and internal controls over financial reporting, current unitholders and potential investors could lose confidence in our financial reporting, which would harm our business prospects and the trading price of our common units.

Any reductions in the principal or the earnings of the investments held in merchandise and perpetual care trusts could adversely affect our revenues and cash flow.

A substantial portion of our revenue is generated from investment returns that we realize from merchandise and perpetual care trusts. The 2008 and early 2009 decline in the prices of most corporate debt and equity

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securities significantly reduced the fair value of the assets held in these trusts. Future cash flows could be negatively impacted if we are forced to liquidate assets that are in impaired positions.

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

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

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

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

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

The cemetery and funeral home industry continues to be increasingly competitive.

We face competition in all of our markets. Most of our competitors are independent operations. Our ability to compete successfully depends on our management's forward vision, timely responses to changes in the business environment, our cemeteries and funeral homes' ability to maintain a good reputation and high professional standards as well as offer products and services at competitive prices. We have historically experienced price competition from independent cemetery and funeral home operators. If we are unable to successfully compete, our financial condition, results of operations and cash flows could be materially adversely affected.

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

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

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

Our ability to attract and retain a qualified sales force and other personnel is an important factor in achieving future success. Buying cemetery and funeral home products and services, especially at-need products and

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services, is very emotional for most customers, so our sales force must be particularly sensitive to our customers' needs. We cannot assure you that we will be successful in our efforts to attract and retain a skilled sales force. If we are unable to maintain a qualified and productive sales force, our revenues may decline, and our cash available for distribution may decrease.

Our success also depends upon the services and capabilities of our management team. Management establishes the tone at the top by which an environment of ethical values, operating style and management philosophy is fostered. The inability of our senior management team to maintain a proper tone at the top or the loss of services of one or more members of senior management as well as the inability to attract qualified managers or other personnel could have a material adverse effect on our business, financial condition, and results of operations. We may not be able to locate or employ on acceptable terms qualified replacements for senior management or key employees if their services were no longer available. We do not maintain key employee insurance on any of our executive officers.

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

A primary component of our business strategy is to grow through acquisitions of cemeteries and, to a lesser extent, funeral homes. We cannot assure you that we will be able to identify and acquire cemeteries on terms favorable to us or at all. We may face competition from other death care companies in making acquisitions. Historically, we have funded a significant portion of our acquisitions through borrowings. Our ability to make acquisitions in the future may be limited by our inability to secure adequate financing, restrictions under our existing or future debt agreements, competition from third parties or a lack of suitable properties. As of December 31, 2010, after giving effect to amendments to our credit facilities in 2011, we would have had approximately \$65.0 million of available borrowing capacity under our acquisition credit facility and approximately \$55.0 million of available borrowing capacity under our revolving credit facility.

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

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

We and other death care companies that focus on traditional methods of interment face competition from the increasing number of cremations in the United States. Industry studies indicate that the percentage of cremations has steadily increased and that cremations represent approximately 38% of the United States deathcare market. Because the products and services associated with a cremation, such as niches and urns, produce lower revenues than the products and services associated with a traditional interment, a continuing trend toward cremations may reduce our revenues.

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

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

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

Where permitted, customers may arrange their pre-need funeral contract by purchasing a life insurance or annuity policy from third-party insurance companies. The customer/policy holder assigns the policy benefits to our funeral home to pay for the pre-need funeral contract at the time of need. If the financial condition of the third-party insurance companies were to deteriorate materially because of market conditions or otherwise, there could be an adverse effect on our ability to collect all or part of the proceeds of the life insurance policy, including the annual increase in the death benefit. Failure to collect such proceeds could have a material adverse effect on our financial condition, results of operations, or cash flows.

Regulatory and Legal Risks

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

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

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

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

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

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

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

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

Our cemetery and funeral home operations are subject to numerous federal, state and local environmental and health and safety laws and regulations. We may become subject to liability for the removal of hazardous substances and solid waste under CERCLA and other federal and state laws. Under CERCLA and similar state laws, strict, joint and several liability may be imposed on various parties, regardless of fault or the legality of the original disposal activity. Our funeral home, cemetery and crematory operations include the use of some materials that may meet the definition of hazardous substances under CERCLA or state laws and thus may give rise to liability if released to the environment through a spill or release. We cannot assure you that we will not face liability under CERCLA for any conditions at our properties, and we cannot assure you that these liabilities will not be material. Our cemetery and funeral home operations are subject to regulation of underground and above ground storage tanks and laws managing the disposal of solid waste. If new requirements under local, state or federal laws were to be adopted, and were more stringent than existing requirements, new permits or capital expenditures may be required.

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

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

Risk Factors Related to an Investment in Us

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

As of December 31, 2010, CFSI LLC owns all of the Class A units of our general partner. Conflicts of interest may arise between CFSI LLC and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of the unitholders. These conflicts include, among others, the following situations:

The board of directors of our general partner is elected by the owners of our general partner. Although our general partner has a fiduciary duty to manage us in good faith, the directors of our general partner also have a fiduciary duty to manage our general partner in a manner beneficial to the owners of our general partner. By purchasing common units, unitholders will be deemed to have consented to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable law.

Our partnership agreement limits the liability of our general partner, reduces its fiduciary duties and restricts the remedies available to unitholders for actions that might, without the limitations, constitute breaches of fiduciary duty.

Our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional limited partner interests and reserves, each of which can affect the amount of cash that is distributed to unitholders.

Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf.

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Our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates.

In some instances, our general partner may cause us to borrow funds or sell assets outside of the ordinary course of business in order to permit the payment of distributions, even if the purpose or effect of the borrowing is to make distributions in respect of incentive distribution rights.

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

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

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

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

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

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

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

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

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

your proportionate ownership interest in us will decrease;

the amount of cash available for distribution on each unit may decrease;

the relative voting strength of each previously outstanding unit may be diminished;

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the market price of the common units may decline; and

the ratio of taxable income to distributions may increase.

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

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

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

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

provide for the proper conduct of our business;

comply with applicable law, the terms of any of our debt instruments or other agreements; or

provide funds for distributions to its unitholders and general partner for any one or more of the next four calendar quarters.

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

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

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

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

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

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Tax Risks to Common Unitholders

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

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

Changes in the ownership of our units may result in annual limitations on our corporate subsidiaries' ability to use their net operating loss carryforwards, which could increase their tax liabilities and decrease cash available for distribution in future taxable periods.

Our corporate subsidiaries' ability to use their net operating loss carryforwards may be limited if changes in the ownership of our units causes our corporate subsidiaries to undergo an ownership change under applicable provisions of the Internal Revenue Code. In general, an ownership change will occur if the percentage of our units, based on the value of the units, owned by certain unitholders or groups of unitholders increases by more than fifty percentage points during a running three-year period. Recent changes in our ownership, along with additional changes that will result from this equity offering, may result in an ownership change. Even if no ownership change results from this equity offering, our corporate subsidiaries will be close to the threshold for an ownership change and may experience one in the future. A future ownership change may result from issuances of our units, sales or other dispositions of our units by certain significant unitholders, certain acquisitions of our units, and issuances, sales or other dispositions or acquisitions of interests in significant unitholders, and we will have little to no control over any such events. To the extent that an annual net operating loss limitation for any one year does restrict the ability of our corporate subsidiaries to use their net operating loss carryforwards, an increase in tax liabilities of our corporate subsidiaries could result, which would reduce the amount of cash available for distribution to you.

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

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. Although we do not believe based upon our current operations that we are so treated, if our view is incorrect or if there is a change in our business (or a change in current law) we could be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes for any taxable year for which the statute of limitations remains open or for any future taxable year, we would pay federal income tax on our taxable income for such year(s) at the corporate tax rate, which is currently a maximum of 35% and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate distributions,

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and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units. Moreover, treatment of us as a corporation could materially and adversely affect our ability to make payment on our debt.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. For example, members of Congress have recently considered substantive changes to the existing federal income tax laws that would affect the tax treatment of certain publicly traded partnerships. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. If any of these states were to impose a tax on us, the cash available for distribution to you would be reduced. We are unable to predict whether any of these changes, or other proposals, will ultimately be enacted. Any such changes could negatively impact the value of an investment in our units.

The partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts will be adjusted to reflect the impact of that law on us.

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

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

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

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

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

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

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

If you sell your common units, you will recognize a gain or loss equal to the difference between your amount realized and your tax basis in those common units. Because distributions in excess of your allocable share of our total net taxable income decrease your tax basis in your common units, the amount, if any, of such

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

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

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

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

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

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

When we issue additional units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. If the IRS challenges our methodology it may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

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

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

We will be considered to have terminated our partnership for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For

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

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

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

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

If you loan your units to a short seller to cover a short sale of units, you may be considered as having disposed of the loaned units, and you may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their units.

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

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

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adopted. If the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders. Vinson & Elkins L.L.P. has not rendered an opinion with respect to whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations.

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

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

Item 1B. Unresolved Staff Comments

None.

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Cemeteries and Funeral Homes**

The following table summarizes the distribution of our cemetery and funeral properties by state as of December 31, 2010 as well as the weighted average estimated remaining sales life in years for our cemeteries based upon number of interment spaces sold during 2010:

	Cemeteries	Funeral Homes	Total Net Acres	Weighted Average Estimated Net Sales Life in Years	Number of Interment Spaces Sold in 2010
Alabama	9	6	305	151	1,725
Arkansas		2			
California	7	8	270	70	1,108
Colorado	2		12	392	36
Delaware	1		12	467	10
Florida		1			
Georgia	7		135	134	925
Hawaii	1		6	201	
Illinois	7	2	243	210	762
Indiana	11	5	1,013	382	1,338
Iowa	1		89	252	128
Kansas	3	2	84	213	225
Kentucky	2		59	108	278
Maryland	10	1	716	143	1,705
Michigan	16		1,534	603	1,836
Missouri	3	1	116	357	278
New Jersey	6		341	37	2,091
North Carolina	13		331	128	2,588
Ohio	14	2	953	228	2,836
Oregon	7	7	181	331	556
Pennsylvania	52	8	2,547	641	2,317
Puerto Rico	2	1	64	144	391
Rhode Island	2		70	928	28
South Carolina	8	3	395	214	881
Tennessee	8	2	428	244	1,252
Virginia	29	2	773	174	2,315
Washington	3	2	33	44	199
West Virginia	33	3	1,404	413	1,835
Total	257	58	12,114	260	27,643

We calculated estimated remaining sales life for each of our cemeteries by dividing the number of unsold interment spaces by the number of interment spaces sold at that cemetery in the most recent year. For purposes of estimating remaining sales life, we defined unsold interment spaces as unsold burial lots and unsold spaces in existing mausoleum crypts as of December 31, 2010. We defined interment spaces sold in 2010 as:

the number of burial lots sold, net of cancellations;

the number of spaces sold in existing mausoleum crypts, net of cancellations; and

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the number of spaces sold in mausoleum crypts that we have not yet built, net of cancellations. We count the sale of a double-depth burial lot as the sale of one interment space even though a double-depth burial lot includes two interment rights. We count an unsold double-depth burial lot as one unsold interment

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space. Because our sales of cremation niches were immaterial, we did not include cremation niches in the calculation of estimated remaining sales life. When calculating estimated remaining sales life, we did not take into account any future cemetery expansion. In addition, sales of an unusually high or low number of interment spaces in a particular year affect our calculation of estimated remaining sales life. Future sales may differ from previous years' sales, and actual remaining sales life may differ from our estimates. We calculated the weighted average estimated remaining sales life by aggregating unsold interment spaces and interment spaces sold on a state-by-state or company-wide basis. Based on the number of interment spaces sold in 2010, we estimate that our cemeteries have an aggregate weighted average remaining sales life of 260 years.

The following table shows the cemetery properties that we owned or operated as of December 31, 2010, grouped by estimated remaining sales life:

	0 - 25 years	26 - 49 years	50 - 100 years	101 - 150 years	151 - 200 years	Over 200 years
Alabama		1	4	1		3
California	2	1	3			1
Colorado						2
Delaware						1
Georgia		1	2	1	1	2
Hawaii						1
Illinois			1	1		5
Indiana		1				10
Iowa						1
Kansas			1	1		1
Kentucky		1			1	
Maryland	1	2		3	1	3
Michigan	1		1	1	2	11
Missouri					1	2
New Jersey	2	3	1			
North Carolina			4	1	5	3
Ohio		1	2	2	1	8
Oregon				3		4
Pennsylvania	3	2	1	4	4	38
Puerto Rico			1			1
Rhode Island						2
South Carolina		1	1	1	1	4
Tennessee					3	5
Virginia	2	3	2	4	4	14
Washington	1	1	1			
West Virginia	4	2	2		5	20
Total	16	20	27	23	29	142

We believe that we have either satisfactory title to or valid rights to use all of our cemetery properties. The 21 cemetery properties that we manage or operate under long-term operating agreements have nonprofit owners. We believe that these cemeteries have either satisfactory title to or valid rights to use these cemetery properties and that we have valid rights to use these properties under the long-term agreements. Although title to the cemetery properties is subject to encumbrances such as liens for taxes, encumbrances securing payment obligations, easements, restrictions and immaterial encumbrances, we do not believe that any of these burdens should materially detract from the value of these properties or from our interest in these properties, nor should these burdens materially interfere with the use of our cemetery properties in the operation of our business as described above. Many of our cemetery properties are located in zoned regions, and we believe that cemetery use

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is permitted for those cemeteries either (1) as expressly permitted under applicable zoning ordinances; (2) through a special exception to applicable zoning designations; or (3) as an existing non-conforming use.

Other

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

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

Item 3. Legal Proceedings

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

Item 4. (Removed and Reserved)**Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**
Market Information

Our common units are listed on the NASDAQ Global Select Market (Nasdaq) under the symbol STON . As of March 29, 2011, there were 19,337,588 common units outstanding, representing a 98.0% limited partner interest in us. As of March 1, 2011, there were 24,255 beneficial holders and 57 unitholders of record. The following table sets forth the high and low sale prices of our common units for the periods indicated, based on the daily composite listing of common unit transactions for the Nasdaq.

Quarter ended	Price range		Declared Distributions (1)
	High	Low	
March 31, 2009	\$ 15.42	\$ 9.55	\$ 0.5550
June 30, 2009	\$ 17.15	\$ 11.15	\$ 0.5550
September 30, 2009	\$ 18.00	\$ 14.50	\$ 0.5550
December 31, 2009	\$ 20.00	\$ 16.50	\$ 0.5550
March 31, 2010	\$ 21.44	\$ 18.01	\$ 0.5550
June 30, 2010	\$ 21.20	\$ 18.22	\$ 0.5550
September 30, 2010	\$ 26.95	\$ 19.75	\$ 0.5650
December 31, 2010	\$ 30.62	\$ 24.90	\$ 0.5750

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

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CASH DISTRIBUTION POLICY

Quarterly Distributions of Available Cash

General

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

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

Conversion of Subordinated Units

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

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

General Partner Interest and Incentive Distribution Rights

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

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

Unregistered Sale of Securities

In connection with and as partial consideration for our second quarter 2010 acquisition, we issued 293,947 unregistered common units representing a limited partnership interests in us valued at approximately \$5.6 million. Further, the general partner of the Company entered into a Non-Competition Agreement dated as of June 21, 2010 with Ronald P. Robertson, pursuant to which Mr. Robertson agreed not to compete with the general partner and the companies under its management and control. Pursuant to the Non-Competition Agreement, the Company issued 9,853 common units on the closing date of the transaction and is obligated to issue additional common units valued at \$0.5 million over the next three years as follows: units valued at \$0.2 million calculated by dividing \$0.2 million by the per unit price on the Nasdaq on the close of the third business day prior to the closing on each of the first anniversary and second anniversary of the closing of the Acquisition, and units valued at \$0.1 million calculated by dividing \$0.1 million by the per unit price on the Nasdaq on the close of the third business day prior to the closing on the third anniversary of the closing of the Acquisition, subject to adjustments as a result of any common unit split, combination or similar events occurring after the closing. A total of 303,800 common units were issued in 2010 as a result of this transaction.

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Operating Surplus and Capital Surplus

General

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

Operating Surplus

Operating surplus consists of:

our cash balance on September 20, 2004; plus

\$5.0 million (as described below); plus

cash receipts from our operations, including cash withdrawn from merchandise and perpetual care trusts; plus

working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for that quarter;
less

operating expenditures, including cash deposited in merchandise and perpetual care trusts, maintenance capital expenditures and the repayment of working capital borrowings; less

the amount of cash reserves for future operating expenditures and maintenance capital expenditures.

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

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

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

As described above, operating surplus is reduced by the amount of our operating expenditures. Our partnership agreement specifically excludes certain items from the definition of operating expenditures, such as cash expenditures made for acquisitions or capital improvements, including,

without limitation, all cash expenditures, whether or not expensed or capitalized for tax or accounting purposes, incurred during the first four

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years following an acquisition in order to bring the operating capacity of the acquisition to the level expected to be achieved in the projections forming the basis on which our general partner approved the acquisition. Examples of such cash expenditures include certain maintenance capital expenditures and cash expenditures that we believe are necessary to develop the pre-need sales programs of businesses or assets we acquire. Where cash expenditures are made in part for acquisitions or capital improvements and in part for other purposes, our general partner, with the concurrence of our conflicts committee, will determine the allocation between the amounts paid for each and the period over which cash expenditures made for other purposes will be subtracted from operating surplus.

Capital Surplus

Capital surplus consists of:

Borrowings other than working capital borrowings;

sales of our equity and debt securities; and

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

The exception for sales of excess cemetery property in any four-quarter period beginning with the quarter ending September 30, 2008 generally is calculated by multiplying \$1.0 million by a fraction, the numerator of which is the number of cemeteries and funeral homes owned and operated by us on the last day of the quarter in which the sale occurs and the denominator of which is 139. Prior to the third quarter of 2008, the exception for sales of excess cemetery property was \$1.0 million, which was subject to increase by our general partner, with the concurrence of its conflicts committee, if the size of our operations increased as a result of acquisitions or other expansions.

Distributions of Available Cash from Operating Surplus

The following table illustrates the priority of distributions of available cash from operating surplus between the unitholders and our general partner as a result of the conversion of all subordinated units during the subordination period, which ended in the fourth quarter of 2009. The amounts set forth in the table in the column titled **Marginal Percentage Interest in Distributions** are the percentage interests of our general partner and the unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column titled **Total Quarterly Distribution Target Amount per Common Unit**, until the available cash from operating surplus that we distribute reaches the next target distribution level, if any. The percentage interests shown for our general partner include its 2% general partner interest and assume the general partner has contributed any additional capital required to maintain its 2% general partner interest and has not transferred the incentive distribution rights.

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

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Distributions of Available Cash from Capital Surplus

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

first, 98% to common unitholders, pro rata, and 2% to our general partner, until we have distributed for each common unit an amount of available cash from capital surplus equal to the initial public offering price;

second, 98% to the common unitholders, pro rata, and 2% to our general partner, until we have distributed for each common unit an amount of available cash from capital surplus equal to any unpaid arrearages in payment of the minimum quarterly distribution on the common units; and

thereafter, we will make all distributions of available cash from capital surplus as if they were from operating surplus

The partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from the initial public offering, which is a return of capital. The initial public offering price less any distributions of capital surplus per unit is referred to as the unrecovered initial unit price. Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price.

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

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

Adjustment of Minimum Quarterly Distribution and Target Distribution Levels

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

the minimum quarterly distribution;

the target distribution levels;

the unrecovered initial unit price;

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

In addition, if legislation is enacted or if existing law is modified or interpreted in a manner that causes us to become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, we will reduce the minimum quarterly distribution and the target distribution levels for each quarter by multiplying each distribution level by a fraction, the numerator of which is available cash for that quarter and the denominator of which is the sum of available cash for that quarter plus our general partner's estimate of our

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aggregate liability for the income taxes payable by reason of that legislation or interpretation. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference will be accounted for in subsequent quarters.

Distributions of Cash Upon Liquidation

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

The allocations of taxable gain upon liquidation are intended, to the extent possible, to allow the holders of common units to receive proceeds equal to their unrecovered initial unit price plus the minimum quarterly distribution for the quarter during which liquidation occurs plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters prior to any allocation of gain to the common units. There may not be sufficient taxable gain upon our liquidation to enable the holders of common units to fully recover all of these amounts. Any additional taxable gain will be allocated in a manner intended to allow our general partner to receive proceeds in respect of its incentive distribution rights.

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

Equity Compensation Plan Information

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

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The following tables present selected financial and operating data of the Company for the periods and as of the dates indicated derived from our audited consolidated financial statements. The following tables should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our audited historical consolidated financial statements and accompanying notes thereto set forth in this Annual Report on Form 10-K. The 2009 results have been restated. Please refer to Note 18 of our consolidated financial statements included in Item 8 for a more detailed discussion.

Table 1: Operating and net income data

	2010	Year ended December 31,			2006
		2009	2008	2007	
		(As Restated)			
		(in, thousands, except for unit data)			
Cemetery revenues					
Merchandise	\$ 94,898	\$ 87,836	\$ 90,968	\$ 74,509	\$ 58,219
Services	40,951	36,947	36,894	28,547	25,555
Investment and other	35,897	33,055	31,623	31,476	25,221
Funeral home revenues					
Merchandise	10,435	9,701	9,249	4,655	2,696
Services	15,111	13,664	14,714	6,127	3,422
Total revenues	197,292	181,203	183,448	145,314	115,113
Cost of goods sold (exclusive of depreciation shown separately below):					
Perpetual care	5,094	4,727	4,326	3,553	3,109
Merchandise	18,435	17,067	18,556	16,118	11,583
Cemetery expense	48,784	41,246	41,651	30,767	24,344
Selling expense	38,245	34,123	34,806	29,245	23,186
General and administrative expense	24,591	22,498	21,372	15,684	12,801
Overhead (including unit-based compensation of \$711 in 2010, \$1,576 in 2009, \$2,262 in 2008, \$4,741 in 2007 and \$1,212 in 2006 (1))	24,379	22,370	21,293	24,991	19,795
Depreciation and amortization	8,845	6,528	5,029	3,891	3,501
Funeral home expense					
Merchandise	4,001	3,716	3,684	1,575	1,004
Services	9,752	9,275	9,073	4,198	2,285
Other	6,184	6,015	6,308	2,649	1,547
Acquisition related costs	5,715	1,072			
Total costs and expenses	194,025	168,637	166,098	132,671	103,155
Operating profit	3,267	12,566	17,350	12,643	11,958
Gain on sale of funeral home		434			
Gain on acquisitions	7,153				
Increase (decrease) in fair value of interest rate swap	4,724	(2,681)			
Expenses related to refinancing (2)		2,242		157	
Interest expense	21,973	14,410	12,714	9,075	7,491
Income (loss) before income taxes	(6,829)	(6,333)	4,636	3,411	4,467
Income taxes (benefit)					
State	(245)	808	304	398	438
Federal	(5,138)	(2,753)	(224)	227	989

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Total income taxes	(5,383)	(1,945)	80	625	1,427
Net income (loss)	\$ (1,446)	\$ (4,388)	\$ 4,556	\$ 2,786	\$ 3,040
Net income (loss) per limited partner (common) unit					
Basic	\$ (0.10)	\$ (0.36)	\$ 0.38	\$ 0.30	\$ 0.34
Diluted	\$ (0.10)	\$ (0.36)	\$ 0.38	\$ 0.30	\$ 0.34

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- (1) Includes a write-off of \$571,000 in 2007 incurred in connection with a potential acquisition of a group of cemeteries in Michigan that we determined were unlikely to take place. Also includes bonuses of \$1.8 million, \$3.2 million and \$2.0 million in 2010, 2007 and 2006 respectively, unit-based compensation of \$0.7 million, \$1.6 million, \$2.3 million, \$4.7 million and \$1.2 million in 2010, 2009, 2008, 2007 and 2006 respectively and an \$883,000 charge for the write-off of our investment in a management agreement in 2006 for an agreement that was subsequently terminated.
- (2) Represents write-downs in previously capitalized debt issuance costs.

Table 2: Balance Sheet Data

	2010	Year ended December 31,			
		2009 (As Restated)	2008	2007	2006
		(in thousands)			
Cemetery property	\$ 283,460	\$ 228,048	\$ 228,499	\$ 187,552	\$ 171,714
Total assets (1)	1,147,119	855,301	738,240	816,862	629,592
Deferred cemetery revenues, net (2)	388,403	259,323	193,017	220,942	196,103
Total debt	220,394	183,199	160,934	146,164	103,492
Total partners capital	\$ 128,192	\$ 111,937	\$ 119,389	\$ 136,746	\$ 101,288

- (1) Includes the fair value of assets held in the merchandise and perpetual care trusts. Refer to Note 1 of our Consolidated Financial Statements for a detailed discussion of the consolidation rules for these assets.
- (2) Represents revenues to be recognized from the sale of merchandise and services. Refer to Note 1 of our Consolidated Financial Statements for a detailed discussion on the revenue recognition rules.

Table 3: Cash Flow and Other Financial Data

	2010	Year ended December 31,			
		2009 (As Restated)	2008	2007	2006
		(in thousands, except unit data)			
Net cash provided by (used in):					
Operating activities	\$ 3,106	\$ 14,729	\$ 21,144	\$ 18,973	\$ 18,339
Investing activities	(49,551)	(12,180)	(17,046)	(86,777)	(14,625)
Financing activities	40,501	3,862	(10,830)	71,690	(725)
Change in assets and liabilities that provided (used) cash:					
Merchandise trust	(13,517)	(6,133)	(453)	(5,223)	(3,517)
Merchandise liability	(2,401)	(4,332)	(5,366)	(7,171)	(8,109)
Capital expenditures					
Maintenance capital expenditures	7,878	2,524	4,809	3,051	2,059
Expansion capital expenditures, including acquisitions	41,327	4,770	12,237	83,726	20,532
Distributions declared per common unit	\$ 2.2500	\$ 2.2200	\$ 2.1600	\$ 2.0450	\$ 1.9500

Table of Contents**Table 4: Operating Data**

	Year ended December 31,				
	2010	2009	2008	2007	2006
Interments performed	41,556	37,782	38,863	29,380	26,003
Cemetery revenues per interment performed	\$ 4,141	\$ 4,196	\$ 4,104	\$ 4,579	\$ 4,192
Interment rights sold (1)					
Lots	24,353	22,637	22,552	17,509	13,769
Mausoleum crypts (including pre-construction)	2,584	2,316	1,881	2,314	2,361
Niches	1,071	889	864	602	440
Net interment rights sold (1)	28,008	25,842	25,297	20,425	16,570
Number of contracts written	92,661	83,043	80,144	63,026	54,675
Aggregate contract amount, in thousands (excluding interest)	\$ 221,895	\$ 197,787	\$ 187,093	\$ 138,588	\$ 116,407
Average amount per contract (excluding interest)	\$ 2,395	\$ 2,382	\$ 2,334	\$ 2,199	\$ 2,129
Number of pre-need contracts written	45,193	39,043	35,599	29,546	24,999
Aggregate pre-need contract amount, in thousands (excluding interest)	\$ 143,022	\$ 124,997	\$ 115,024	\$ 89,486	\$ 74,301
Average amount per pre-need contract (excluding interest)	\$ 3,165	\$ 3,202	\$ 3,231	\$ 3,029	\$ 2,972
Number of at-need contracts written	47,468	44,000	44,545	33,480	29,676
Aggregate at-need contract amount, in thousands (excluding interest)	\$ 78,873	\$ 72,790	\$ 72,068	\$ 49,102	\$ 42,106
Average amount per at-need contract (excluding interest)	\$ 1,662	\$ 1,654	\$ 1,618	\$ 1,467	\$ 1,419

(1) Net of cancellations. Sales of double-depth burial lots are counted as two sales.

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

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and notes thereto included in Item 8 of this Annual Report on Form 10-K. Those notes also give more detailed information regarding the basis of presentation for the following information. Further, our 2009 results have been restated. Please refer to Note 18 of our consolidated financial statements included in Item 8 for a more detailed discussion.

Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K, including, but not limited to, information regarding the status and progress of our operating activities, the plans and objectives of our management, assumptions regarding our future performance and plans, and any financial guidance provided, as well as certain information in other filings with the SEC and elsewhere are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words believe, may, will, estimate, 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 under Risk Factors in Part I, Item 1A. We assume no obligation to update or revise any forward-looking statements made herein or any other forward-looking statements made by us, whether as a result of new information, future events or otherwise.

Organization

We were organized on April 2, 2004 to own and operate the cemetery and funeral home business conducted by Cornerstone and its subsidiaries. On September 20, 2004, in connection with our initial public offering of common units representing limited partner interests, Cornerstone contributed to us substantially all of its assets, liabilities and businesses, and then converted into CFSI LLC, a limited liability company. This transfer represented a reorganization of entities under common control and was recorded at historical cost. In exchange for these assets, liabilities and businesses, CFSI LLC received 564,782 common units and 4,239,782 subordinated units representing limited partner interests in us.

Cornerstone had been founded in 1999 by members of our management team and a private equity investment firm, which we refer to as McCown De Leeuw, in order to acquire a group of 123 cemetery properties and 4 funeral homes. Since that time, Cornerstone, succeeded by us, acquired 133 additional cemeteries and 54 funeral homes, entered into three long term cemetery operating agreements, built two funeral homes, exited from one long term cemetery operating agreement and sold one cemetery and two funeral homes.

Capitalization

On September 20, 2004, we completed our initial public offering of 3,675,000 common units at a price of \$20.50 per unit representing a 42.5% interest in us. On September 23, 2004, we sold an additional 551,250

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common units to the underwriters in connection with the exercise of their over-allotment option and redeemed an equal number of common units from CFSI LLC at a cost of \$5.3 million. Subsequent to this transaction, there were 4,239,782 common units and 4,239,782 subordinated units outstanding. Total gross proceeds from the initial public offering and the exercise of the over-allotment option were \$86.6 million, before offering costs and underwriting discounts. Net proceeds, after deducting underwriting discounts but before paying offering costs, from these sales of common units was \$80.8 million.

Concurrent with the initial public offering, our wholly owned subsidiary, StoneMor Operating LLC, and its subsidiaries (collectively StoneMor LLC), all as borrowers, issued and sold \$80.0 million in aggregate principal amount of senior secured notes in a private placement and entered into a \$12.5 million revolving credit facility and a \$22.5 million acquisition facility with a group of banks. The net proceeds of the initial public offering and the sale of senior secured notes were used to repay the debt and associated accrued interest of approximately \$135.1 million of CFSI LLC and \$15.7 million of fees and expenses associated with the initial public offering and the sale of senior secured notes. The remaining funds have been used for general partnership purposes, including the construction of mausoleum crypts and lawn crypts, the purchases of equipment needed to install burial vaults and the acquisition of cemetery and funeral home locations.

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

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

On November 24, 2009, we completed the second follow on public offering of 1,275,000 common units at a price of \$17.00 per unit representing a 9.5% interest in us. On December 7, 2009, we sold an additional 191,250 common units in connection with the exercise of the underwriter's over-allotment option. In conjunction with this offering, our general partner contributed \$0.5 million to maintain its 2% general partner interest. Total gross proceeds from these transactions were \$25.4 million, before offering costs and underwriting discounts. Net proceeds, after deducting underwriting discounts and offering expenses were \$24.2 million.

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

On September 22, 2010, we completed an additional follow on public offering of 1,725,000 common units, including an option to purchase up to 225,000 common units to cover over-allotments which was exercised in full by the underwriters, at a price of \$24.00 per unit, representing a 10.9% interest in us. Total gross proceeds from these transactions were \$41.4 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 \$39.6 million. The proceeds were used to pay off debt under our credit facilities.

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

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of the offering, including the related capital contribution of our General Partner, after deducting underwriting discounts and offering expenses, were approximately \$106.0 million. The proceeds were used to pay off 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.

Overview

Cemetery Operations

We are currently the second largest owner and operator of cemeteries in the United States. As of December 31, 2010, we operated 257 cemeteries in 25 states and Puerto Rico. We own 236 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. During the year ended December 31, 2010, we performed 41,556 burials and sold 28,008 interment rights (net of cancellations) compared to 37,782 and 25,842 in 2009 and 38,863 and 25,297 in 2008, respectively. Cemetery revenues accounted for approximately 87.1%, 87.1% and 86.9% during the years ended December 31, 2010, 2009 and 2008, 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.

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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%, 4.75% and 9.0% during 2010, 2009 and 2008, respectively.

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

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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 from our at-need sales into merchandise trusts.

Expenses

We analyze and categorize our operating expenses as follows:

1. Cost of goods sold and selling expenses

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

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

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

2. Cemetery Expenses

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

3. General and administrative expenses

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

4. Depreciation and amortization

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

5. Acquisition related costs

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

Funeral Home Operations

As of December 31, 2010, 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.

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We derive revenues at our funeral homes from the sale of funeral home merchandise, including caskets and related funeral merchandise, and services, including removal and preparation of remains, the use of our facilities for visitation, worship and performance of funeral services and transportation services. We sell these services and merchandise almost exclusively at the time of need utilizing salaried licensed funeral directors. Funeral home revenues accounted for approximately 12.9%, 12.9% and 13.1% during the years ended December 31, 2010, 2009 and 2008 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.

Revenues by State

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

	Year ended December 31,		
	2010	2009	2008
Alabama	4.6%	4.6%	4.7%
California	9.7%	10.2%	11.0%
Florida	0.1%	0.1%	1.8%
Georgia	1.6%	1.6%	1.8%
Illinois	2.7%	2.4%	2.4%
Indiana	5.2%	2.4%	2.6%
Kansas	1.1%	1.6%	1.5%
Maryland	6.6%	7.3%	8.0%
Michigan	5.0%	1.3%	1.3%
Missouri	1.3%	1.5%	1.6%
New Jersey	7.8%	8.0%	9.8%
North Carolina	6.2%	6.3%	5.7%
Ohio	9.3%	8.2%	6.6%
Oregon	3.2%	4.2%	3.7%
Pennsylvania	15.3%	17.0%	17.6%
South Carolina	2.2%	2.5%	1.1%
Tennessee	2.4%	2.4%	2.1%
Virginia	7.1%	8.1%	8.5%
West Virginia	5.9%	7.3%	6.7%
All others	2.7%	3.0%	1.5%
Total	100.0%	100.0%	100.0%

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

	Year ended December 31,		
	2010	2009	2008
Pre-need sales:			
Burial lots	9.6%	9.8%	9.1%
Mausoleum crypts	5.2%	4.7%	5.7%
Markers	4.6%	5.6%	4.8%
Grave marker bases	1.2%	1.4%	1.2%
Burial vaults	5.6%	5.0%	4.4%
Lawn crypts	1.5%	1.0%	0.8%
Caskets	1.0%	1.5%	2.5%
Initial openings and closings (1)	6.3%	5.9%	5.1%
Other (2)	5.3%	5.3%	3.5%
Total pre-need sales	40.3%	40.2%	37.1%
Interest from pre-need sales	2.9%	3.2%	2.9%
Investment income from trusts:			
Perpetual care trusts	7.3%	7.0%	7.5%
Merchandise trusts	2.1%	3.8%	3.6%
Total investment income from trusts	9.4%	10.8%	11.1%
At-need sales			
Openings and closings (3)	13.0%	12.5%	12.8%
Markers	7.7%	7.6%	9.4%
Burial lots	3.8%	3.9%	4.0%
Mausoleum crypts	1.3%	1.6%	1.5%
Grave marker bases	1.6%	1.5%	2.2%
Foundations and inscriptions (4)	1.0%	1.0%	1.2%
Burial vaults	1.7%	1.8%	2.0%
Other (5)	2.5%	1.8%	1.9%
Total at-need sales	32.6%	31.7%	35.0%
Funeral home revenues	12.9%	12.9%	13.1%
Other revenues (6)	1.9%	1.2%	0.8%
Total revenues	100.0%	100.0%	100.0%

(1) Installation of the burial vault into the ground.

(2) Includes revenues from niches, mausoleum lights, cremations, pet cemeteries, installation of burial vaults and markers sold to our customers by third parties and pre-need sales made in connection with the relocation of other cemetery interment rights. Also includes document processing fees on pre-need contracts and fees from sales of travel care protection, which covers shipping costs of a body if death occurs more than 100 miles from the place of residence.

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- (3) Installation of the burial vault into the ground and the placement of the casket into the vault.
- (4) Installation of the marker on the ground and its inscription.
- (5) Includes revenues from lawn crypts, decorative lights installed on mausoleum crypts, installations of burial vaults, markers sold to our customers by third parties, cremation fees and document-processing fees on at-need contracts.
- (6) Includes sales of manufactured burial vaults to third parties, sales of cemetery and undeveloped land, commissions from sales of pre-need funeral and death benefit insurance policies provided through a third-party insurer and other miscellaneous revenues.

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Cash Flow

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

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

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

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

When we receive the \$100 down payment from the customer, we would deposit 40% of the payment, or \$40 in trust and pay 100% of the commission due to the salesperson, or \$150, but only to the extent that we received cash from the customer, or \$100. Our total cash obligations would be \$140 even though we only received \$100 from the customer. We would use \$40 of our operating cash to pay the sales commission and, at this time, would be cash flow negative on the contract.

In month one, when we receive the first \$75 installment from the customer, we would deposit 40%, or \$30, into trust and pay 100% of the balance of the commission due to the sales person, or \$50. Our total cash obligations would be \$80 even though we only received \$75 from the customer. We would use \$5 of our operating cash to pay sales commission and would still be cash flow negative on the contract.

In month two, when we receive the next \$75 installment from the customer, we would deposit 40%, or \$30, into trust, but we would have no further commission due on the sale. The remaining \$45 received from the customer would go back into our operating cash, and we would break even on the contract on a cash-flow basis.

In month three, when we receive the next \$75 installment from the customer, we would deposit 40%, or \$30, into trust and the remaining \$45 would go back into our operating cash. In this month, we would become cash flow positive on the contract.

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

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

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

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

Trusting

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

Perpetual Care Trust

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

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

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

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Merchandise Trust

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

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

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

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

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

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

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

The income earned on funds held in perpetual care trusts and merchandise trusts can be materially affected by fluctuations in interest rates, dividend payments, and in the case of merchandise trusts, by the performance of the stock market. Investment income from trusts accounted for 9.3%, 10.8%, and 11.1% of our 2010, 2009 and 2008 total revenues respectively. During 2010, 2009 and 2008 our average annual rates of return (not including changes in unrealized gains and losses) on funds held in merchandise trusts were 3.7%, 7.2% and 6.1%, respectively, while our average annual rates of return on funds held in perpetual care trusts were 7.1%, 8.3% and 8.1%, respectively. Past performance is not indicative of future performance.

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

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

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

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

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

Current Market Conditions and Economic Developments

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

We have seen substantial improvement in certain areas since that time. At December 31, 2009, the ratio of the fair value to the amortized cost of our merchandise trust assets had improved to 88.5%, as compared to 70.4% at December 31, 2008. As the financial markets continued to improve in 2010, we continued to monitor our invested assets in our merchandise and perpetual care trusts and in the third quarter of 2010, we determined that some of these assets were impaired, and we took a charge of approximately \$13.3 million and \$14.8 million, respectively. As of December 31, 2010, the market value of the assets in our merchandise trust and perpetual care trust, exceeds its amortized cost by 3.7% 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 September of 2010 and both a private offering of senior debt and a follow on public offering of our common units, representing a limited partnership interest in us in 2009. The value of pre-need and at-need contracts written has not deteriorated and values for the year ended December 31, 2010 generally outpace values from 2009.

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

Recent Developments

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 \$106.0 million. The proceeds were used to pay off 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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Change in Market Value of Trust Assets

We have a substantial portfolio of invested assets in both our merchandise trust and the perpetual care trust. Both trusts have a mix of cash and cash equivalents, fixed maturity debt securities and equity securities. A critical issue for us had been the decline in the fair value of equity and (to a lesser degree) fixed maturity debt securities held in our trusts. This decline took place primarily during the last six months of 2008. Since that time, the financial markets have been slowly recovering. In the third quarter of 2010, we determined that some of the assets in our trusts had been impaired and we took an impairment charge of approximately \$13.1 million related to assets in our merchandise trust and a charge of approximately \$14.8 million related to our assets in our perpetual care trust. This charge is deferred until such time that we deliver the merchandise or perform the services for which the trust assets are set aside. The impairment charge reduced the cost basis of the assets to their fair value. As of December 31, 2010, the aggregate post write-down fair value of the assets in both our merchandise trust and perpetual care trust exceeds their amortized cost basis.

Funds in our trusts are managed by third-party investment managers who are in turn monitored by a third-party investment advisor selected by our Trust and Compliance Committee. The third-party investment advisor is providing the committee with frequent updates on the performance of the investments. We will continue to monitor performance closely. See Item 7A. Quantitative and Qualitative Disclosure About Market Risk for more information.

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

Perpetual Care Trust

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

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

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

Our primary risk related to the assets in the perpetual care trust relate to the interest and dividends paid and released to us and used to defray cemetery maintenance costs. Any material reduction in this income stream could have a material effect on our financial condition, results of operations and liquidity. Interest income earned on perpetual care trust assets was approximately \$ 14.9 million, \$12.6 million and \$13.7 million during the year ended December 31, 2010, 2009 and 2008 respectively.

Merchandise Trust

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

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

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

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

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

At December 31, 2010, the merchandise trust had approximately \$40.7 million in cash and cash equivalents. This amount functions to mitigate the risk of liquidating impaired assets. In evaluating the sufficiency of this amount as to its effectiveness in mitigating the risk of liquidating impaired assets, we have considered the net inflows and outflows of cash into the trust in recent prior periods. These net inflows and outflows are a function of both sales originations and the corresponding trust deposits and meeting the criteria for releasing funds. Total net cash inflows into the merchandise trust for the year ended December 31, 2010 were approximately \$68.9 million, which includes an inflow of \$72.2 million related to acquisitions made in 2010.

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

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

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

The Profitability Measure is primarily related to the current period value of contracts written, 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 aggregate value of cemetery contracts written increased by \$24.1 million for the year ended December 31, 2010 compared to the year ended December 31, 2009. Additionally, associated expenses have remained relatively stable.

The coverage ratio relates to the excess of the Profitability Measure less distributions made to partners over fixed charges. We were in compliance with this ratio at December 31, 2010.

The leverage ratio relates to the ratio of consolidated debt to the Profitability Measure. We were in compliance with this ratio at December 31, 2010.

Net Income, Operating Cash Flows and Partner Distributions

The table below details net income, operating cash flows and partner distributions made in 2010, 2009 and 2008 respectively:

	Year ended December 31,		
	2010	2009	2008
	(in thousands)		
Net income (loss)	\$ (1,446)	\$ (4,388)	\$ 4,556
Operating cash flows	3,106	14,729	21,144
Partner distributions	\$ 32,443	\$ 27,253	\$ 25,658

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Cash flows from operations for the years ended December 31, 2010, 2009 and 2008 were \$3.1, \$14.7 million and \$21.1 million, respectively, which exceeded our net income (loss) of (\$1.4 million), (\$4.4 million) and \$4.6 million, respectively, during the same periods. The differences between our operating cash flows and net income are in large part attributable to the fact that various cash inflows for payments of amounts due under pre-need sales contracts were not and are not as of yet recognized as revenues as we had not and have not met the delivery criteria for revenue recognition. Although there is no assurance, we expect that the trend of operating cash flows exceeding net income will continue into the foreseeable future.

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.

Consolidation

Our historical operations are part of a consolidated group for financial reporting purposes that include the cemeteries we operate under long-term operating agreements. We currently operate 21 cemeteries under these long-term operating agreements. Intercompany balances and transactions have been eliminated in consolidation.

Income Taxes

Our historical financial statements include the effects of applicable U.S. federal and state income taxes in order to comply with GAAP. We are a limited partnership that has elected to be treated as a partnership for U.S. federal income tax purposes and therefore not be subject to U.S. federal or applicable state income taxes. See Material Tax Considerations included in our Registration Statement on Form S-3 (Registration No. 333-144453) filed with the SEC. In order to be treated as a partnership for federal income tax purposes, at least 90% of our gross income must be qualifying income, which includes income from the sale of real property, including burial lots (with and without installed vaults), lawn and mausoleum crypts and cremation niches. Most of our

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activities that do not generate qualifying income, such as the sale of other cemetery products, the provision of perpetual care services, the operation of our managed cemeteries and all funeral home operations, will be owned by and conducted through corporate subsidiaries, which will be subject to tax on their net taxable income. Dividends we receive from corporate subsidiaries will be qualifying income.

Seasonality

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

Critical Accounting Policies and Estimates

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

Revenue Recognition

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

Revenues from pre-need sales of cemetery interment rights in constructed burial property are deferred until at least 10% of the sales price has been collected, at which time they are fully earned.

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

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

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

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

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Deferred Cemetery Revenues, Net

Revenues from the sale of services and merchandise, as well as any investment income from the merchandise trust is deferred until such time that the services are performed or the merchandise is delivered.

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

Accounts Receivable Allowance for Cancellations

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

The allowance for cancellations is established based upon our estimate of expected cancellations and historical experiences and is currently approximately 10% of total contract values. Future cancellation rates may differ from this current estimate. We will continue to evaluate cancellation rates and will make changes to the estimate should the need arise. Actual cancellations did not vary significantly from the estimates of expected cancellations at December 31, 2010 and December 31, 2009, respectively.

Merchandise Trust Assets

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

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

Perpetual Care Trust Assets

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

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

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

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

Other-Than-Temporary Impairment of Trust Assets

We determine whether or not the impairment of a fixed maturity debt security is other-than-temporary by evaluating each of the following:

Whether it is our intent to sell the security. If there is intent to sell, the impairment is considered to be other-than-temporary.

If there is no intent to sell, we evaluate if it is not more likely than not that we will be required to sell the debt security before its anticipated recovery. If we determine that it is more likely than not that it will be required to sell an impaired investment before its anticipated recovery, the impairment is considered to be other-than-temporary.

We have further evaluated whether or not all assets in the merchandise trust have other-than-temporary impairments based upon a number of criteria including the length of time a security has been in a loss position, changes in market conditions and concerns related to the specific issuer.

If an impairment is considered to be other-than-temporary, the cost basis of the security is adjusted downward to its fair value.

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

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

The trust footnotes (Notes 5 and 6) disclose the adjusted cost basis of the assets in the both the merchandise and perpetual care trust. This adjusted cost basis includes any adjustments to the original cost basis due to other-than-temporary impairments.

Two Class Method of Accounting for Earnings per Share

The Company utilizes the two class method of accounting for earnings per share as required by Accounting Topic 260.

Under this method:

1. Periodic net income is reduced by the amount of dividends declared for each class of participating security in order to determine undistributed earnings.
2. Undistributed earnings are allocated to each participating security as if all earnings had been distributed in accordance with the distribution schedule per the partnership agreement.
3. Total periodic earnings (TPE) for each class is the sum of their share of dividends plus undistributed earnings.

The Company's general partner's agreement contains incentive distribution rights (IDR s) and such IDR s are detachable from the general partner units (i.e. can be sold on a stand alone basis). As a result, we must consider the IDR s to be a separate class of ownership interest and allocate and disclose TPE to such class by

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itself. For all periods presented, the Company distributed dividends in excess of earnings. As such, there was no allocation of TPE to the IDR s. Accordingly, the Consolidated Statement of Changes in Partners' Capital only reflects amounts allocated to general and common partners.

Income Taxes

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

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

In evaluating our ability to recover deferred tax assets, we consider all available positive and negative evidence, including our past operating results, recent cumulative losses and our forecast of future taxable income. In determining future taxable income, we make assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Any reduction in estimated future taxable income may require us to record an additional valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings.

As of December 31, 2010, our taxable corporate subsidiaries had a federal net operating loss carryover of approximately \$124.9 million, which will begin to expire in 2019 and a state net operating loss carry-forward of approximately \$170.4 million, a portion of which expires annually. Our ability to use such federal net operating losses may be limited by changes in the ownership of our units deemed to result in an ownership change under the applicable provisions of the Internal Revenue Code of 1986, as amended.

Recent Accounting Pronouncements

In the third quarter of 2010, the FASB issued Update No. 2010-20 Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (Update 2010-20). Update 2010-20 is a disclosure only update that requires entities to disaggregate their financing receivable portfolio between portfolio segments and classes of financing receivables within each segment. Certain disclosures then must be made at both the portfolio segment and class level. We adopted Update 2010-20 beginning in the fourth quarter of 2010. As this is a disclosure only update, the adoption of Update 2010-20 did not impact on our financial position, results of operations or cash flows.

In the first quarter of 2010, the FASB issued Update No. 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (Update 2010-06). Update 2010 -06 requires each of the following new disclosures:

1. Entities must disclose separately significant transfers into and out of Level 1 and Level 2.
2. Reconciliations of Level 3 measurements must provide gross information related to purchases, sales, issuances and settlements as opposed to netting such number.

Update 2010-06 provided each of the following amendments to existing disclosures:

3. Entities must provide fair value measurement for each class of asset and liability. A class is often a subset of a line item asset or liability.
4. Entities should provide disclosures about the valuation techniques used to measure fair value on Level 2 and Level 3 assets and liabilities in interim periods.

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Disclosure requirements 1, 3 and 4 are applicable for all periods beginning after December 15, 2009. Disclosure requirement 2 is applicable for all periods beginning after December 15, 2010. We have adopted disclosure requirements 1, 3 and 4 as of January 1, 2010 and requirement 2 as of January 1, 2011. As this is a disclosure only requirement, there was no impact on our financial position, results of operations or cash flows.

Results of Operations Segments**Year Ended December 31, 2010 versus Year Ended December 31, 2009****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 consolidated financial statements included in this Annual Report on Form 10-K.

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.

During 2010, we acquired 19 cemeteries and 6 funeral homes and began operating 3 cemeteries under a long-term operating agreement. Of the cemeteries we acquired or began operating, 19 were in our Cemetery Operations-West segment. Our 2010 acquisitions did not have a meaningful impact on the results of operations in our Cemetery Operations-Southeast or Cemetery Operations-Northeast segments.

In prior periods, we have included in our segment discussion amounts and variations of interest expense allocated to such segment. Upon further review, we have concluded that as segments and segment managers have no control over total corporate interest expense nor the amount allocated to their segment, such discussion does not add to the understanding of how each segment performed. Accordingly, we no longer include a discussion of interest expense at the segment level.

Cemetery Operations Southeast

The table below compares the results of operations for our Cemetery Operations Southeast for the year ended December 31, 2010 as compared to the year ended December 31, 2009:

	2010	Year ended December 31, 2009		Change (%)
		(As Restated)	Change (\$)	
		(In thousands)		
		(non-GAAP)		
Total revenues	\$ 104,576	\$ 99,732	\$ 4,844	4.9%
Total costs and expenses	73,764	69,317	4,447	6.4%
Operating earnings	\$ 30,812	\$ 30,415	\$ 397	1.3%

Revenues

Revenues for Cemetery Operations Southeast were \$104.6 million for the year ended December 31, 2010, an increase of \$4.8 million, or 4.9%, compared to \$99.7 million during 2009.

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The increase was primarily due to increases in the value of pre-need contracts written of \$5.5 million and at-need contracts written of \$1.2 million, offset in part by a net decrease in investment income from our merchandise and perpetual care trusts of \$1.5 million.

Total costs and expenses

Total costs and expenses for Cemetery Operations Southeast were \$73.8 million for the year ended December 31, 2010, an increase of \$4.5 million, or 6.4%, compared to \$69.3 million during 2009.

The increase was primarily related to:

A \$0.1 million increase in cost of goods sold. This was attributable in part to the corresponding increase in the value of pre-need and at-need contracts written, offset by a change in product mix.

A \$2.1 million increase in selling expenses. This was also directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of selling expenses to the total value of contracts written increased to 26.3% during the year ended December 31, 2010 compared to 25.9% during 2009.

A \$1.9 million increase in cemetery expenses. The increase was primarily due to increases in repair and maintenance costs of \$0.6 million, labor costs of \$0.5 million, real estate taxes of \$0.4 million and utility and fuel costs of \$0.2 million.

A \$0.5 million increase in general and administrative expenses. This was primarily due to an increase in professional fees of \$0.3 million and labor costs of \$0.2 million.

Cemetery Operations Northeast

The table below compares the results of operations for our Cemetery Operations Northeast for the year ended December 31, 2010 as compared to the year ended December 31, 2009:

	2010	Year ended December 31, 2009		Change (%)
		(In thousands)		
		(non-GAAP)		
		Change (\$)		
Total revenues	\$ 56,744	\$ 54,193	\$ 2,551	4.7%
Total costs and expenses	40,011	37,611	2,400	6.4%
Operating profit	\$ 16,733	\$ 16,582	\$ 151	0.9%

Revenues

Revenues for Cemetery Operations Northeast were \$56.7 million for the year ended December 31, 2010, an increase of \$2.6 million, or 4.7%, compared to \$54.2 million during 2009. A \$1.3 million increase in the value of pre-need contracts written and a \$0.9 million increase in investment income from trusts were offset by a \$0.4 million decrease in the value of at-need contracts written. There was also an increase of \$0.8 million related to the sale of assets.

Total costs and expenses

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Total costs and expenses for Cemetery Operations Northeast were \$40.0 million for the year ended December 31, 2010, an increase of \$2.4 million, or 6.4%, compared to \$37.6 million during 2009.

The increase was primarily related to:

A \$1.2 million increase in cost of goods sold. The ratio of cost of goods sold to the total value of contracts written increased by 250 basis points to 18.7% during the year ended December 31, 2010 as compared to 16.2% during 2009.

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A \$0.6 million increase in selling expenses. This was also directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of selling expenses to the total value of contracts written increased to 24.7% during the year ended December 31, 2010 compared to 23.9% during 2009.

A \$0.6 million increase in cemetery expenses driven by an increase of \$0.5 million in repair and maintenance costs.

Cemetery Operations West

The table below compares the results of operations for our Cemetery Operations West for the year ended December 31, 2010 as compared to the year ended December 31, 2009:

	2010	Year ended December 31, 2009		Change (%)
		Change (\$)		
		(In thousands)		
		(non-GAAP)		
Total revenues	\$ 60,524	\$ 39,957	\$ 20,567	51.5%
Total costs and expenses	39,633	27,422	12,211	44.5%
Operating earnings	\$ 20,891	\$ 12,535	\$ 8,356	66.7%

Revenues

Revenues for Cemetery Operations West were \$60.5 million for the year ended December 31, 2010, an increase of \$20.6 million, or 51.5%, compared to \$40.0 million during 2009. The increase was primarily related to a \$7.4 million increase in the value of pre-need contracts written, a \$6.2 million increase in the value of at-need contracts written, and a \$6.4 million increase in investment income from trusts. Further, 19 of the cemeteries we acquired during 2010 were located in the West and accounted for \$20.1 million of the overall increase in revenues.

Total costs and expenses

Total costs and expenses for Cemetery Operations West were \$39.6 million for the year ended December 31, 2010, an increase of \$12.2 million, or 44.5%, compared to \$27.4 million during 2009. As noted above, the overall increase is primarily driven by the cemeteries we acquired or began operating in 2010.

The increase was primarily related to:

A \$1.5 million increase in cost of goods sold. This increase is directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of cost of goods sold to the total value of contracts remained relatively consistent decreasing 70 basis points to 12.7% during the year ended December 31, 2010 as compared to 13.4% during 2009.

A \$3.3 million increase in selling expenses. This increase is also directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of selling expenses to the total value of contracts written increased to 24.0% during the year ended December 31, 2010 compared to 23.8% during 2009.

A \$4.9 million increase in cemetery expenses. This consisted of a \$2.5 million increase in labor costs, a \$1.3 million increase in repair and maintenance costs, \$0.4 million increase in utility and fuel related costs and a \$0.4 million increase in real estate taxes.

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A \$2.5 million increase in general and administrative expenses which was primarily driven by an increase of \$1.1 million in labor related costs, \$0.7 million in varied non-labor related costs and \$0.7 million in depreciation expense, primarily as a result of the 19 cemeteries we acquired during 2010.

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

The table below compares the results of operations for our Funeral Home segment for the year ended December 31, 2010 as compared to the year ended December 31, 2009:

	2010	Year ended December 31, 2009		Change (%)
		Change (\$)		
		(In thousands)		
		(non-GAAP)		
Total revenues	\$ 25,546	\$ 23,365	\$ 2,181	9.3%
Total costs and expenses	21,591	20,107	1,484	7.4%
Operating profit	\$ 3,955	\$ 3,258	\$ 697	21.4%

Revenues

Revenues for the Funeral Home segment were \$25.6 million for the year ended December 31, 2010, an increase of \$2.2 million, or 9.3%, compared to \$23.4 million during 2009.

The increase is primarily attributable to the acquisition of six funeral homes during 2010.

Total costs and expenses

Total costs and expenses for the Funeral Home segment were \$21.6 million for the year ended December 31, 2010, an increase of \$1.5 million, or 7.4%, compared to \$20.1 million during 2009. This increase was also primarily related to the acquisition of six funeral homes during 2010. The largest portion of the increase consists of \$0.5 million in labor costs and \$0.6 million of depreciation expense.

Corporate Segment

In prior reports, we have included amounts in the Corporate segment that are not included in operating profit but are included in earnings before taxes. Beginning this year, we will no longer present amounts not included in operating profits. All segment related income statement information will be limited to operating profits. We believe that this is a more effective method of evaluating segment results and will provide for a more concise view of segment results for the users of these financial statements. Prior year information has been recast to conform to the current year presentation.

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.

Acquisition related costs.

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The table below details expenses incurred by the Corporate segment for the year ended December 31, 2010 and December 31, 2009:

	2010	Year ended December 31, 2009		Change (%)
		(As Restated)	Change (\$)	
		(In thousands)		
		(non-GAAP)		
Selling, cemetery and general and administrative expenses	\$ 619	\$ 908	\$ (289)	-31.8%
Depreciation and amortization	3,804	2,608	1,196	45.9%
Acquisition related costs	5,715	1,072	4,643	433.1%
Corporate expenses				
Corporate personnel expenses	12,575	10,382	2,193	21.1%
Other corporate expenses	11,804	11,988	(184)	-1.5%
Total corporate overhead	24,379	22,370	2,009	9.0%
Total corporate expenses	\$ 34,517	\$ 26,958	\$ 7,559	28.0%

Selling, cemetery and general administrative expenses that were allocated to the corporate segment were \$0.6 million during the year ended December 31, 2010, a decrease of \$0.3 million, or 31.8%, compared to \$0.9 million for the year ended December 31, 2009. The decrease was primarily caused by a decrease in salesperson's bonuses and advertising costs.

Depreciation and amortization allocated to the corporate segment was \$3.8 million during the year ended December 31, 2010, an increase of \$1.2 million, or 45.9%, compared to \$2.6 million for the year ended December 31, 2009. The increase was primarily caused by an increase in the amortization of deferred financing fees.

Acquisition related costs include legal fees and other third party costs incurred in acquisition related activities. Acquisition related costs were \$5.7 million during the year ended December 31, 2010, an increase of \$4.6 million, or 433.1%, compared to \$1.1 million for the year ended December 31, 2009. The increase in these costs is directly related to the increase in acquisition activity that we had during the year ended December 31, 2010.

Total corporate overhead expenses were \$24.4 million during the year ended December 31, 2010, an increase of \$2.0 million, or 9.0%, compared to \$22.4 million during the year ended December 31, 2009. The overall increase consists of an increase in personnel related expenses of \$2.2 million and a decrease of \$0.2 million in non-personnel expenses. The increase in personnel related expenses was primarily attributable to an increase of \$1.8 million in bonus expenses, with the remainder being attributable to increased salary and payroll tax expenses.

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 origin.

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 year ended December 31, 2010 compared to the year ended December 31, 2009. The table is structured so that our readers can determine whether changes were based upon changes in the level of merchandise and services and other revenues generated during each period and/or changes in the timing of when merchandise and services were delivered:

	Year ended December 31, 2010			Year ended December 31, 2009			Change in GAAP results (\$)	Change in GAAP results (%)
	(in thousands)			(As Restated) (in thousands)				
	Segment Results (non-GAAP)	Non-segment Results	GAAP Results	Segment Results (non-GAAP)	Non-segment Results	GAAP Results		
Revenues								
Pre-need cemetery revenues	\$ 113,183	\$ (34,089)	\$ 79,094	\$ 99,773	\$ (26,930)	\$ 72,843	\$ 6,251	8.6%
At-need cemetery revenues	71,764	(6,743)	65,021	63,970	(6,549)	57,421	7,600	13.2%
Investment income from trusts	28,511	(10,136)	18,375	22,706	(3,180)	19,526	(1,151)	-5.9%
Interest income	5,649		5,649	5,834		5,834	(185)	-3.2%
Funeral home revenues	25,546		25,546	23,365		23,365	2,181	9.3%
Other cemetery revenues	2,747	860	3,607	1,613	601	2,214	1,393	62.9%
Total revenues	247,400	(50,108)	197,292	217,261	(36,058)	181,203	16,089	8.9%
Costs and expenses								
Cost of goods sold	29,865	(6,336)	23,529	27,016	(5,222)	21,794	1,735	8.0%
Cemetery expense	48,784		48,784	41,246		41,246	7,538	18.3%
Selling expense	47,400	(9,155)	38,245	41,652	(7,529)	34,123	4,122	12.1%
General and administrative expense	24,591		24,591	22,498		22,498	2,093	9.3%
Corporate overhead	24,379		24,379	22,370		22,370	2,009	9.0%
Depreciation and amortization	8,845		8,845	6,528		6,528	2,317	35.5%
Funeral home expense	19,937		19,937	19,006		19,006	931	4.9%
Acquisition related costs	5,715		5,715	1,072		1,072	4,643	n/a
Total costs and expenses	209,516	(15,491)	194,025	181,388	(12,751)	168,637	25,388	15.1%
Operating profit	\$ 37,884	\$ (34,617)	\$ 3,267	\$ 35,873	\$ (23,307)	\$ 12,566	\$ (9,299)	-74.0%

Revenues

Pre-need cemetery revenues were \$79.1 million for the year ended December 31, 2010, an increase of \$6.3 million, or 8.6%, as compared to \$72.8 million during 2009. There was a substantial increase in the value of contracts written (\$13.4 million), which was offset by an increase in deferred revenue (\$7.1 million).

At-need cemetery revenues were \$65.0 million for the year ended December 31, 2010, a increase of \$7.6 million, or 13.2%, as compared to \$57.4 million during 2009. The value of contracts written increased \$7.1 million while the change in deferred revenues remained relatively consistent.

Investment income from trusts was \$18.4 million for the year ended December 31, 2010, a decrease of \$1.2 million, or 5.9%, as compared to \$19.5 million during 2009. The overall decline in investment income consists of an increase of \$5.8 million of investment income on a segment basis, offset by an adjustment of \$7.0 million related to funds for which we have not met the requirements that would allow us to recognize them

as revenue.

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Interest income on accounts receivable was \$5.6 million for the year ended December 31, 2010, a decrease of \$0.2 million, or 3.2%, as compared to \$5.8 million during 2009.

Revenues for the Funeral Home segment were \$25.5 million for the year ended December 31, 2010, an increase of \$2.2 million, or 9.3%, compared to \$23.4 million during 2009. The increase was primarily attributable to the acquisition of six funeral homes during 2010.

Other cemetery revenues include miscellaneous items that are not grouped with our cemetery merchandise and services. Other cemetery revenues were \$3.6 million for the year ended December 31, 2010, an increase of \$1.4 million, or 62.9%, as compared to \$2.2 million during 2009. The increase was primarily related to a \$0.8 million increase in asset sales revenue.

Costs and Expenses

Cost of goods sold were \$23.5 million for the year ended December 31, 2010, an increase of \$1.7 million, or 8.0%, as compared to \$21.8 million in 2009. The increase was primarily due to the associated increase in (combined) pre-need and at-need cemetery revenues. The ratio of cost of goods sold to pre-need and at-need cemetery revenues remained relatively consistent as it slightly decreased to 16.3% for the year ended December 31, 2010 as compared to 16.7% during 2009.

Cemetery expenses were \$48.8 million during the year ended December 31, 2010, an increase of \$7.5 million, or 18.3%, compared to \$41.3 million during 2009. The major components of the increase consisted of \$3.0 million for labor costs, \$2.4 million for repair and maintenance costs, \$0.8 million for real estate taxes and \$0.6 million in utility and fuel costs. Approximately \$5.0 million of the increase in cemetery expenses can be attributable to the 19 cemeteries we acquired and 3 cemeteries we began operating during the year. Cemetery expenses relate to the current costs of managing and maintaining our cemetery properties. These costs are expensed as incurred and are not deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring cemetery expenses is as a ratio of segment level pre-need and at-need cemetery revenues. The ratio of cemetery expenses to segment level pre-need and at-need cemetery revenues was 26.4% during the year ended December 31, 2010 as compared to 25.2% during 2009.

Selling expenses were \$38.2 million during the year ended December 31, 2010, an increase of \$4.1 million, or 12.1%, as compared to \$34.1 million in 2009. The increase was primarily caused by the associated increase in (combined) pre-need and at-need cemetery revenues. The majority of our selling expenses are directly related to sales commissions and bonuses. The ratio of cost of selling expenses to segment level pre-need and at-need cemetery revenues increased to 20.7% for the year ended December 31, 2010 as compared to 20.8% during 2009.

General and administrative expenses were \$24.6 million during the year ended December 31, 2010, an increase of \$2.1 million, or 9.3%, as compared to \$22.5 million during 2009. The increase was split between an increase of \$1.2 million in labor costs and \$0.9 million in non-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 was 13.3% during the year ended December 31, 2010 as compared to 13.7% during 2009.

Total corporate overhead was \$24.4 million during the year ended December 31, 2010, an increase of \$2.0 million, or 9.0%, compared to \$22.4 million during 2009. Overall, personnel related expenses increased \$2.2 million and non-personnel expenses decreased \$0.2 million. The increase in personnel related expense was primarily attributable to bonuses of \$1.8 million with the remaining attributable to an increase in salary payroll tax expenses.

Depreciation and amortization was \$8.8 million during the year ended December 31, 2010, an increase of \$2.3 million, or 35.5%, as compared to \$6.5 million during the period last year. The increase was primarily due to increases in amortized deferred financing fees and the increases in amortization of covenants not to compete related to our 2010 acquisitions.

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Funeral Home expenses were \$19.9 million for the year ended December 31, 2010, an increase of \$0.9 million, or 4.9%, compared to \$19.0 million during 2009. The largest portion of the increase consists of \$0.5 million in labor costs. In addition, many other expense categories had slight increase as a result of the six funeral homes we acquired during 2010.

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 years ended December 31, 2010 and 2009:

	2010	Year ended December 31, 2009		Change (%)
		(As Restated)	Change (\$)	
		(In thousands)		
		(non-GAAP)		
Gain on acquisition	\$ 7,153	\$	\$ 7,153	100.0%
Gain on sale of funeral home		434	(434)	-100.0%
Increase (decrease) in fair value of interest rate swap	4,724	(2,681)	7,405	-276.2%
Expenses related to refinancing		2,242	(2,242)	-100.0%
Interest expense	21,973	14,410	7,563	52.5%
Income tax (benefit)	\$ (5,383)	\$ (1,945)	\$ (3,438)	176.8%

The 2010 gains on acquisition relate primarily to our first quarter 2010 acquisition of eight cemeteries and five funeral homes (\$7.1 million) and the acquisition of a single cemetery in the third quarter of 2010 (\$0.1 million). Refer to Note 13 of our consolidated Financial Statements for a more detailed discussion.

We entered into two interest rate swaps during the fourth quarter of 2009. At December 31, 2009, these swaps had a fair value of (\$2.7 million). We recorded this as a loss during 2009. In October of 2010, when the swaps were in a favorable position to us, we elected to early terminate our interest rate swap agreements. As a result, we received a payment of approximately \$2.0 million at the time the agreement was settled. This payment combined with the reversal of the prior year's interest rate swap liability has created the current year gain of \$4.7 million.

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

The increase in interest expense was primarily due to an overall increase in the average amount of debt outstanding and a higher average interest rate. At June 30, 2009, we had approximately \$181.5 million in debt outstanding. At June 30, 2010, we had approximately \$237.7 million in debt outstanding, at September 30, 2010, we had approximately \$207.3 million outstanding and by December 31, 2010, we had approximately \$222.0 million of debt outstanding. Further, in November of 2009, we retired \$80.0 million of our Series A Notes bearing interest at 7.66% and \$17.5 million of our Series B Notes bearing interest at 9.34%, with the proceeds generated from the issuance of \$150.0 million of Senior Notes bearing interest at 10.25%. The combination of incurring additional debt and replacing existing debt with higher interest rate created the increase in interest expense.

The increase in the income tax benefit was primarily related to increased pre-tax losses at our corporate subsidiaries that are subject to corporate taxes.

Table of Contents**Year Ended December 31, 2009 versus Year Ended December 31, 2008****Cemetery Operations Southeast**

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

	2009 (As Restated)	Year ended December 31, 2008	Change (\$)	Change (%)
	(In thousands)			
	(non-GAAP)			
Total revenues	\$ 99,732	\$ 88,638	\$ 11,094	12.5%
Total costs and expenses	69,317	64,018	5,299	8.3%
Operating earnings	30,415	24,620	5,795	23.5%
Interest expense	6,516	5,163	1,353	26.2%
Earnings (losses) before taxes	\$ 23,899	\$ 19,457	\$ 4,442	22.8%

Revenues

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

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

Total costs and expenses

Total costs and expenses for Cemetery Operations Southeast were \$69.3 million for the year ended December 31, 2009, an increase of \$5.3 million, or 8.3%, compared to \$64.0 million during 2008.

The increase was primarily related to:

A \$1.4 million increase in cost of goods sold. This was directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of cost of goods sold to the total value of contracts written actually declined by 30 basis points to 17.9% during the year ended December 31, 2009 compared to 18.2% during 2008.

A \$2.1 million increase in selling expenses. This was also directly attributable to the corresponding increase in the value of pre-need and at-need contracts written. The ratio of selling expenses to the total value of contracts written declined by 40 basis points to 25.9% during the year ended December 31, 2009 compared to 26.3% during 2008.

A \$0.8 million increase in cemetery expenses. The increase was due to a corresponding increase in labor costs (\$0.9 million). Other cemetery expenses declined by \$0.1 million.

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A \$1.0 million increase in general and administrative expenses. This was primarily due to a \$0.8 million increase in labor costs and a \$0.2 million increase in insurance expense.

Interest Expense

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

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

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

Revenues

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

Total costs and expenses

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

The decrease was primarily related to:

A \$0.8 million decrease in cost of goods sold. The ratio of cost of goods sold to the total value of contracts written declined by 220 basis points to 16.2% during the year ended December 31, 2009 as compared to 18.4% during 2008.

A \$0.7 million decrease in cemetery expenses. This consisted of a \$0.5 million decrease in personnel costs and a \$0.2 million decrease in fuel costs.

Interest Expense

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

Cemetery Operations West

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

Year ended December 31,

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	2009	2008	Change (\$)	Change (%)
			(In thousands)	
			(non-GAAP)	
Total revenues	\$ 39,957	\$ 42,372	\$ (2,415)	-5.7%
Total costs and expenses	27,422	28,209	(787)	-2.8%
Operating earnings	12,535	14,163	(1,628)	-11.5%
Interest expense	3,082	2,696	386	14.3%
Earnings (losses) before taxes	\$ 9,453	\$ 11,467	\$ (2,014)	-17.6%

Table of Contents**Revenues**

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

Total costs and expenses

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

The decrease was primarily related to:

A \$0.2 million decrease in cost of goods sold. The ratio of cost of goods sold to the total value of contracts written declined by 10 basis points to 13.4% during the year ended December 31, 2009 as compared to 13.5% during 2008.

A \$0.4 million decrease in cemetery expenses. This consisted of a \$0.4 million decrease in real estate taxes and a \$0.1 million decrease in utilities, maintenance and gas and oil offset by a \$0.3 million increase in personnel costs.

Interest Expense

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

Funeral Home Segment

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

	2009	Year ended December 31, 2008		Change (%)
		Change (\$)		
		(In thousands)		
		(non-GAAP)		
Total revenues	\$ 23,365	\$ 23,963	\$ (598)	-2.5%
Depreciation and amortization	1,101	838	263	31.4%
Total costs and expenses	19,006	19,065	(59)	-0.3%
Operating earnings	3,258	4,060	(802)	-19.8%
Interest expense (a)	2,123	2,198	(75)	-3.4%
Earnings (losses) before taxes	\$ 1,135	\$ 1,862	\$ (727)	-39.0%

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

Revenues

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

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

Total costs and expenses

Total costs and expenses for the Funeral Home segment were \$19.0 million for the year ended December 31, 2009, a decrease of \$0.1 million, or 0.3%, compared to \$19.1 million during 2008.

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

Depreciation and amortization

Depreciation and amortization for the Funeral Home segment was \$1.1 million for the year ended December 31, 2009, an increase of \$0.3 million, or 31.4%, compared to \$0.8 million during 2008. The increase was primarily related to an increase in depreciable assets.

Interest Expense

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

Corporate Segment

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

Miscellaneous selling, cemetery and general administrative expenses that are not allocable to other operating segments.

Various home office and other expenses. These expenses equal the total corporate expenses as shown on the face of the income statement.

Certain depreciation and amortization expenses.

Gains and losses and purchases and sales of cemetery and funeral home properties.

Gains and losses from changes in the fair value of derivatives.

Certain costs related to refinancing.

Acquisition related costs.

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

	2009 (As Restated)	Year ended December 31, 2008	Change (\$)	Change (%)
	(In thousands) (non-GAAP)			
Selling, cemetery and general and administrative expenses	\$ 908	\$ 1,391	\$ (483)	-34.7%
Depreciation and amortization	2,608	1,381	1,227	88.8%
Acquisition related costs	1,072		1,072	n/a
Corporate personnel expenses	10,382	10,031	351	3.5%

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Other corporate expenses	11,988	11,262	726	6.4%
Total corporate expenses	22,370	21,293	1,077	5.1%
Operating loss	\$ (26,958)	\$ (24,065)	(2,893)	12.0%
Gain on sale of funeral home	434		434	n/a
Decrease in the value of interest rate swaps	(2,681)		(2,681)	n/a
Expenses related to refinancing	2,242		2,242	n/a
Interest expense	40		40	n/a
Losses before taxes	\$ (31,487)	\$ (24,065)	\$ (7,422)	30.8%

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

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

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

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

Miscellaneous selling, cemetery and general administrative expenses allocated to the corporate segment were \$0.9 million during the year ended December 31, 2009, a decrease of \$0.5 million, or 34.7%, compared to \$1.4 million for the year ended December 31, 2008. The decrease was primarily caused by a decrease in salesperson's bonuses and other personnel expenses allocated to the corporate segment (\$0.3 million) and sales training (\$0.1 million).

Depreciation and amortization allocated to the corporate segment was \$2.6 million during the year ended December 31, 2009, an increase of \$1.3 million, or 88.8%, compared to \$1.4 million for the year ended December 31, 2008. The increase was primarily caused by an increase in the amortization of deferred financing fees.

On January 1, 2009, we adopted ASC 805. Amongst other things, ASC 805 requires that costs incurred in acquisition related activities be expensed as incurred. Acquisition related costs include legal fees and other third party costs incurred in acquisition related activities. These costs totaled approximately \$1.1 million in 2009, the majority of which had been capitalized as of December 31, 2008 and expensed in 2009.

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

	Year ended December 31, 2009 (As Restated) (in thousands)			Year ended December 31, 2008 (in thousands)			Change in GAAP results (\$)	Change in GAAP results (%)
	Segment Results (non-GAAP)	Non-segment Results	GAAP Results	Segment Results (non-GAAP)	Non-segment Results	GAAP Results		
Revenues								
Pre-need cemetery revenues	\$ 99,773	\$ (26,930)	\$ 72,843	\$ 91,050	\$ (22,987)	\$ 68,063	\$ 4,780	7.0%
At-need cemetery revenues	63,970	(6,549)	57,421	63,874	(39)	63,835	(6,414)	-10.0%
Investment income from trusts	22,706	(3,180)	19,526	23,519	(3,237)	20,282	(756)	-3.7%
Interest income	5,834		5,834	5,384		5,384	450	8.4%
Funeral home revenues	23,365		23,365	23,963		23,963	(598)	-2.5%
Other cemetery revenues	1,613	601	2,214	1,376	545	1,921	293	15.3%
Total revenues	217,261	(36,058)	181,203	209,166	(25,718)	183,448	(2,245)	-1.2%
Costs and expenses								
Cost of goods sold	27,016	(5,222)	21,794	26,687	(3,805)	22,882	(1,088)	-4.8%
Cemetery expense	41,246		41,246	41,651		41,651	(405)	-1.0%
Selling expense	41,652	(7,529)	34,123	40,379	(5,573)	34,806	(683)	-2.0%
General and administrative expense	22,498		22,498	21,372		21,372	1,126	5.3%
Corporate overhead	22,370		22,370	21,293		21,293	1,077	5.1%
Depreciation and amortization	6,528		6,528	5,029		5,029	1,499	29.8%
Funeral home expense	19,006		19,006	19,065		19,065	(59)	-0.3%
Acquisition related costs	1,072		1,072				1,072	n/a
Total costs and expenses	181,388	(12,751)	168,637	175,476	(9,378)	166,098	2,539	1.5%
Operating profit	35,873	(23,307)	12,566	33,690	(16,340)	17,350	(4,784)	-27.6%
Gain on sale of funeral home	434		434				434	n/a
Decrease in the value of interest rate swaps	(2,681)		(2,681)				(2,681)	n/a
Expenses related to refinancing	2,242		2,242				2,242	n/a
Interest expense	14,410		14,410	12,714		12,714	1,696	13.3%
Income (loss) before taxes	16,974	(23,307)	(6,333)	20,976	(16,340)	4,636	(10,969)	n/a
State income taxes	808		808	304		304	504	n/a
Federal income taxes	(2,753)		(2,753)	(224)		(224)	(2,529)	n/a
Total income taxes	(1,945)		(1,945)	80		80	(2,025)	n/a
Net income	\$ 18,919	\$ (23,307)	\$ (4,388)	\$ 20,896	\$ (16,340)	\$ 4,556	\$ (8,944)	n/a

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Revenues

Pre-need cemetery revenues were \$72.8 million for the year ended December 31, 2009, an increase of \$4.8 million, or 7.0%, as compared to \$68.1 million during 2008. There was a substantial increase in the value of contracts written (\$8.7 million) which was offset by a lower increase in deferred revenue (\$4.0 million). The overall increase was primarily caused by an increase in the delivery of pre-need markers (\$2.5 million), vaults (\$1.8 million), grave openings (\$1.4 million) and installations and other (\$1.4 million).

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

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

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

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

Other cemetery revenues include miscellaneous items that are not grouped with our other cemetery merchandise and services. Other cemetery revenues were \$2.2 million for the year ended December 31, 2009, an increase of \$0.3 million, or 15.3%, as compared to \$1.9 million during 2008. The increase was primarily caused by a \$0.2 million increase in asset sales revenue.

Costs and Expenses

Cost of goods sold were \$21.8 million for the year ended December 31, 2009, a decrease of \$1.1 million, or 4.8%, as compared to \$22.9 million in 2008. The decrease was primarily due to the associated decrease in (combined) pre-need and at-need cemetery revenues. The ratio of cost of goods sold to pre-need and at-need cemetery revenues decreased to 16.7% for the year ended December 31, 2009 as compared to 17.3% during 2008.

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

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

General and administrative expenses were \$22.5 million during the year ended December 31, 2009, an increase of \$1.1 million, or 5.3%, as compared to \$21.4 million during 2008. The increase was split between an increase in labor costs (\$0.5 million) and non-labor costs (\$0.6 million). The increase in labor costs was primarily attributable to an increase in employee benefits (\$0.5 million). The increase in non-labor costs was primarily attributable to an increase in corporate insurance (\$0.3 million) and a number of smaller changes. General and administrative expenses are expensed as incurred and are not deferred. Accordingly, from a margin standpoint, the most effective gauge of measuring general and administrative expenses is as a ratio of segment level pre-need and at-need cemetery revenues. The ratio of general and administrative expenses to segment level pre-need and at-need cemetery revenues was 13.7% during the year ended December 31, 2009 as compared to 13.8% during 2008.

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

Depreciation and amortization was \$6.5 million during the year ended December 31, 2009, an increase of \$1.5 million, or 29.8%, as compared to \$5.0 million during the period last year. The increase was primarily due to an increase in the amortization of debt issuance costs.

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

On January 1, 2009, we adopted ASC 805. Amongst other things, ASC 805 requires that costs incurred in acquisition related activities be expensed as incurred. Acquisition related costs include legal fees and other third party costs incurred in acquisition related activities. These costs totaled approximately \$1.1 million in 2009, the majority of which had been capitalized as of December 31, 2008 and expensed in 2009.

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

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

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

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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 credit facility and under our senior secured notes.

We believe that cash generated from operations and our borrowing capacity under our Credit Agreement, which is discussed below, will be sufficient to meet our working capital requirements as well as our anticipated capital expenditures for the foreseeable future.

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

Offerings of Common Units

On September 22, 2010, we completed a follow on public offering of 1,725,000 common units, including an option to purchase up to 225,000 common units to cover over-allotments which was exercised in full by the underwriters, at a price of \$24.00 per unit, representing a 10.9% interest in us. Total gross proceeds from these transactions were \$41.4 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 \$39.6 million.

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 \$106.0 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.

Long-term Debt

Purchase Agreement

On November 18, 2009, we entered into a Purchase Agreement (the *Purchase Agreement*) by and among StoneMor Operating LLC (the *Operating Company*), Cornerstone Family Services of West Virginia Subsidiary, Inc. (*CFS West Virginia*), Osiris Holding of Maryland Subsidiary, Inc. (*Osiris*), the Partnership, the subsidiary guarantors named in the Purchase Agreement (together with us, the *Note Guarantors*) and 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 our wholly-owned subsidiary, as joint and several obligors, agreed to sell to the Initial Purchasers \$150.0 million

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aggregate principal amount of 10.25% Senior Notes due 2017 (the Senior Notes), with an original issue discount of approximately \$4.0 million, in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the Securities Act), for resale by the Initial Purchasers (i) to qualified institutional buyers pursuant to Rule 144A under the Securities Act or (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act (the Notes Offering). The Notes Offering closed on November 24, 2009.

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

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

repay approximately \$30.7 million of borrowings under the Revolving Facility (as defined below);

repay approximately \$104.7 million of borrowings under the Acquisition Credit Facility (as defined below); and

redeem \$17.5 million of outstanding 11.00% Series B Senior Secured Notes due 2012 (the Series B Notes).

Indenture

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

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

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

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

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

are effectively subordinated in right of payment to existing and future secured debt of the Issuers, to the extent of the value of the assets securing such debt; and

are structurally subordinated to all of the existing and future liabilities of each subsidiary of the Issuers that does not guarantee the Senior Notes.

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

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

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

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

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

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

The Indenture requires us, the Issuers and/or the Note Guarantors, as applicable, to comply with various covenants including, but not limited to, covenants that, subject to certain exceptions, limit our and our subsidiaries' ability to (i) incur additional indebtedness; (ii) make certain dividends, distributions, redemptions or investments; (iii) enter into certain transactions with affiliates; (iv) create, incur, assume or permit to exist certain liens against their assets; (v) make certain sales of their assets; and (vi) engage in certain mergers, consolidations or sales of all or substantially all of their assets. The Indenture also contains various affirmative covenants regarding, among other things, delivery of certain reports filed with the SEC and materials required pursuant to Rule 144A under the Securities Act to holders of the Senior Notes and joinder of future subsidiaries as Note Guarantors under the Indenture. We were in compliance with all covenants at December 31, 2010.

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

1. failure by the Issuers to pay interest on any of the Senior Notes when it becomes due and the continuance of any such failure for 30 days;
2. failure by the Issuers to pay the principal on any of the Senior Notes when it becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise;
3. the Issuers' failure to comply with the agreements and covenants relating to limitations on entering into certain mergers, consolidations or sales of all or substantially all of their assets or in respect of their obligations to purchase the Senior Notes in connection with a Change of Control;
4. failure by us or the Issuers to comply with any other agreement or covenant in the Indenture and the continuance of this failure for 60 days after notice of the failure has been given us by the Trustee or holders of at least 25% of the aggregate principal amount of the Senior Notes then outstanding;

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5. failure by us to comply with our covenant to deliver certain reports and the continuance of such failure to comply for a period of 120 days after written notice thereof has been given to us by the Trustee or by the holders of at least 25% in aggregate principal amount of the Senior Notes then outstanding;
6. certain defaults under mortgages, indentures or other instruments or agreements under which there may be issued or by which there may be secured or evidenced our indebtedness or indebtedness of any Restricted Subsidiary, whether such indebtedness now exists or is incurred after the date of the Indenture;
7. certain judgments or orders that exceed \$7.5 million for the payment of money have been entered by a court of competent jurisdiction against us or any Restricted Subsidiary and such judgments have not been satisfied, stayed, annulled or rescinded within 60 days of being entered;
8. certain events of bankruptcy of us, StoneMor GP LLC, our general partner (the *General Partner*), or any Restricted Subsidiary; or
9. other than in accordance with the terms of the Note Guarantee and the Indenture, any Note Guarantee ceasing to be in full force and effect, being declared null and void and unenforceable, found to be invalid or any Guarantor denying its liability under its Note Guarantee.

Registration Rights Agreement

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

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

The Issuers are required to pay additional interest to the holders of the Senior Notes under certain circumstances if they fail to comply with their obligations under the Registration Rights Agreement. In October of 2010, we complied with the terms of the registration rights agreement.

Note Purchase Agreement

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

Pursuant to the NPA, the Note Issuers and the Note Purchasers agreed to (a) exchange certain senior secured notes previously issued by the Note Issuers to the Note Purchasers on September 20, 2004, for new Series A Notes, as defined in the NPA, due September 20, 2009, in the amount of \$80.0 million; and (b) issue Series B

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Notes, as defined in the NPA, due August 15, 2012 in the aggregate amount of \$35.0 million, subject to the option, on an uncommitted basis, to issue/purchase additional secured Shelf Notes in the aggregate amount of up to \$35.0 million, and to issue/purchase additional secured Shelf Notes to refinance the Series A Notes.

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

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

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

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

On April 30, 2009, we entered into the Second Amendment to Amended and Restated Credit Agreement by and among us and certain of our subsidiaries, the lenders, and Bank of America, N.A., as Administrative Agent (the Second Amendment to Credit Agreement), pursuant to which we borrowed \$63.0 million under the new Acquisition Credit Facility commitments, which, together with the \$17.0 million of the existing availability under the Acquisition Credit Facility, were used to repay the Series A Notes. In addition, we borrowed \$5.4 million under the Revolving Credit Facility, which was used to pay the accrued interest on the Series A Notes, fees to Bank of America, N.A., amendment fees to noteholders under the Second Amendment to NPA described below as well as various other fees and costs incurred in connection with these transactions. In connection with the Second Amendment to Credit Agreement, on April 30, 2009, we also entered into the Second Amendment to Amended and Restated Note Purchase Agreement by and among us, the General Partner and certain of our subsidiaries and the noteholders (the Second Amendment to NPA).

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

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

In connection with the Fourth Amendment to Credit Agreement, as described below, on November 24, 2009, we entered into the Fourth Amendment to Amended and Restated Note Purchase Agreement by and among us, the General Partner, the Operating Company, certain of our subsidiaries and the noteholders (the Fourth Amendment to NPA). The Fourth Amendment to NPA amended the NPA to, among other matters, amend

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certain restrictive covenants and other terms set forth in the NPA to permit us to incur the indebtedness evidenced by the Amended NPA Notes, enter into the restrictive covenants set forth in the Indenture, use the net proceeds of the Notes Offering as discussed above and amend the Consolidated Leverage Ratio in accordance with the Fourth Amendment to Credit Agreement.

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

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

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

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

On May 4, 2010, we entered into the Sixth Amendment to Amended and Restated Note Purchase Agreement (the Sixth Amendment to Credit Agreement) to, among other matters, provide for (i) changes to the Consolidated Leverage Ratio similar to the changes under the Sixth Amendment to Credit Agreement as described below, and (ii) the payment by the Partnership to each holder of Amended Series B Notes and Amended Series C Notes of additional interest at a rate of 0.25% per annum (the Additional Interest) from May 4, 2010 until such time as each holder of Notes shall have received a Compliance Certificate for the most recently completed four fiscal quarters of the Partnership ending on or after December 31, 2010 evidencing that the Consolidated Leverage Ratio was less than 3.75 to 1.00 for such period. The Amended Series B Notes and Amended Series C Notes were amended and restated to provide for the payment of the Additional Interest as described in the Sixth Amendment to NPA.

The Sixth Amendment to NPA also included a consent by the Noteholders to an increase in the Aggregate Credit Facility Cap from \$80.0 million to \$100.0 million, an increase in the Acquisition Facility Cap from \$45.0 million to \$55.0 million and an increase in the Revolving Facility Cap from \$35.0 million to \$45.0 million.

On September 22, 2010, concurrently with the closing of a public offering of common units, we entered into the Seventh Amendment to Amended and Restated Note Purchase Agreement (the Seventh Amendment to NPA) to, among other things, permit the reinstatement of the Acquisition Credit Facility under the Credit Agreement, as amended, as described below.

On January 28, 2011, and in connection with of our February 2011 follow on public offering of common units, we entered into the Eighth Amendment to our Amended and Restated Credit Agreement (the Eighth

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Amendment to Credit Agreement). This amendment included the Lenders' consent to the use of a portion of the proceeds from our public offering of common units to redeem in full the outstanding Amended NPA Notes and to pay an aggregate make-whole premium of \$3.8 million related thereto. Therefore, as of February 9, 2011, the Amended NPA Notes were paid in full.

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

The NPA (as amended) contained restrictive covenants that, among other things, prohibited distributions upon defined events of default, restrict investments and sales of assets and required us to maintain certain financial covenants, including specified financial ratios. We were in compliance with all covenants at December 31, 2010.

Acquisition Credit Facility and Revolving Credit Facility

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

The Credit Agreement initially provided that: (1) the Acquisition Credit Facility would have a maximum principal amount of \$40.0 million (with an option to increase such facility by an additional \$15.0 million on an uncommitted basis) and the term of 5 years, and (2) the Revolving Credit Facility would have a maximum principal amount of \$25.0 million (with an option to increase such facility by up to \$10.0 million on an uncommitted basis) and a term of 5 years. Amounts borrowed under the Acquisition Credit Facility and repaid or prepaid may not be reborrowed and amounts borrowed under the Revolving Credit Facility and repaid or prepaid during the term may be reborrowed. In addition, Bank of America agreed to provide to the borrowers swing line loans (Swing Line Loans) with a maximum limit of \$5.0 million, which is a part of the Revolving Credit Facility. Loans outstanding under the Acquisition Credit Facility and the Revolving Credit Facility bear interest at rates set forth in the Credit Agreement, which have since been amended as described below.

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

On April 30, 2009, we, the General Partner and the Borrowers entered into the Second Amendment to Credit Agreement with the lenders and Bank of America. The Second Amendment to Credit Agreement amended the Credit Agreement to, among other matters, increase (i) the Revolving Credit Facility to a maximum aggregate principal amount of \$35.0 million, with the ability to request further increases in a maximum aggregate principal amount of \$10.0 million, and (ii) the Acquisition Credit Facility to a maximum aggregate principal amount of \$102.9 million, with the ability to request further increases in a maximum aggregate principal amount of \$57.0 million, subject to a minimum increase amount of \$5.0 million. The maximum aggregate principal amount of the Acquisition Credit Facility was increased to \$107.9 million, with the ability to request further increases in a

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maximum aggregate principal amount of \$52.0 million, after giving effect to a \$5.0 million increase in the Acquisition Credit facility implemented through the Lender Joinder to Amended and Restated Credit Agreement, dated June 24, 2009, among us, the General Partner, the Borrowers and other parties thereto.

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

On November 24, 2009, concurrently with the closing of the Notes Offering and a common unit offering, we entered into the Fourth Amendment to Amended and Restated Credit Agreement (the Fourth Amendment to Credit Agreement) by and among us, our General Partner, the Borrowers, the lenders, and Bank of America, as Administrative Agent for the benefit of the lenders. The Fourth Amendment to Credit Agreement amended the Credit Agreement to, among other matters, (i) amend certain restrictive covenants and other terms set forth in the Credit Agreement to permit us to incur the indebtedness evidenced by the Senior Notes, enter into the Indenture and use the net proceeds of the Notes Offering and Units Offering as discussed above; (ii) decrease the Acquisition Credit Facility to a maximum aggregate principal amount of \$45.0 million, with the ability to request further increases in a maximum aggregate principal amount of \$10.0 million; and (iii) amend the Consolidated Leverage Ratio (as defined in the Credit Agreement, as amended).

On January 15, 2010, we entered into the Fifth Amendment to the Amended and Restated Credit Agreement which further amended the Consolidated Leverage Ratio. Loans outstanding under the Acquisition Credit Facility and the Revolving Credit Facility bear interest at a per annum rate based upon a base rate (the Base Rate) or a Eurodollar rate (the Eurodollar Rate) plus a margin ranging from 2.25% to 3.25% over the Base Rate and 3.25% to 4.25% over the Eurodollar Rate, as selected by the Borrowers. The Base Rate is the highest of (a) the Federal Funds Rate plus 0.5% or (b) the Prime Rate, as defined in the Credit Agreement, as amended. The Eurodollar Rate equals the greater of: (i) the British Bankers Association LIBOR Rate or (ii) if such rate is not available, the rate determined by Bank of America, N.A., as the Administrative Agent, subject to certain conditions. Margin is determined by the ratio of consolidated funded debt to consolidated EBITDA.

On May 4, 2010, we entered into the Sixth Amendment to Amended and Restated Credit Agreement (the Sixth Amendment to Credit Agreement) to, among other things, provide that the Consolidated Leverage Ratio shall not be greater than:

4.15 to 1.0, for the most recently completed four fiscal quarters ending prior to July 1, 2010;

4.00 to 1.0, for the most recently completed four fiscal quarters ending between July 1, 2010 and September 30, 2010;

3.75 to 1.0, for the most recently completed four fiscal quarters ending between October 1, 2010 and December 31, 2010; or

3.65 to 1.0, for the most recently completed four fiscal quarters ending after December 31, 2010.

The Consolidated Leverage Ratio was 3.22 at December 31, 2010.

Under the Credit Agreement, as amended, the interest rate on Base Rate Loans and Eurodollar Rate Loans is calculated based on the Base Rate or Eurodollar Rate, as applicable, plus the Applicable Rate. The Sixth Amendment to Credit Agreement amended the definition of Applicable Rate to provide that, commencing on May 4, 2010 until such time as the Agent shall have received a Compliance Certificate evidencing compliance with all financial covenants for the most recently completed four fiscal quarters ending on or after December 31, 2010, Pricing Level 3 of the Applicable Rate (the currently applicable pricing level) for (i) Eurodollar Rate Loans and Letter of Credit Fees shall be increased by 25 basis points to 4.50%, and (ii) Base Rate Loans shall be increased by 25 basis points to 3.50%.

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The Sixth Amendment to Credit Agreement also amended the definition of Consolidated EBITDA to provide that Consolidated EBITDA shall not be adjusted for any changes resulting from the sale by the credit parties of all of their investments held, as of May 4, 2010, in one of more Merchandise Trusts in the Highland Floating Rate Advantage Fund.

Effective May 21, 2010, the Lenders increased each of the Revolving Credit Facility and the Acquisition Credit Facility by \$9.1 million. After giving effect to such increases, the maximum aggregate principal amount available under the Revolving Credit Facility was \$44.1 million and the maximum aggregate principal amount available under the Acquisition Credit Facility was \$54.1 million.

On September 22, 2010, concurrently with the closing of the common units offering from which we used \$22.5 million of net proceeds to prepay amounts on the Acquisition Credit Facility and used \$14.5 million of net proceeds to pay down amounts on the Revolving Credit Facility, we entered into the Seventh Amendment to Amended and Restated Credit Agreement to, among other things, reinstate the amount available on the Acquisition Credit Facility to a total of \$55.0 million and reinstate the amount available on the Revolving Credit Facility to \$45.0 million.

The Borrowers under the Credit Agreement, as amended, paid fees to Bank of America, as Administrative Agent, and BAS, as Arranger. In addition, 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.

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 Credit Agreement. The Eighth Amendment to Credit Agreement included the Lenders' consent to the use of a portion of the proceeds from our public offering of common units to redeem in full outstanding Amended NPA Notes and to pay an aggregate make-whole premium of \$3.8 million related thereto. Pursuant to the Eighth Amendment to 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, we shall continue using the same Consolidated Leverage Ratio of 3.65 to 1.0 as is currently in effect for Measurement Periods ending after December 31, 2010 and we will not be permitted to have Maintenance Capital Expenditures for any Measurement Period ending in 2011, 2012 and 2013 to exceed \$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 Borrowers under the Credit Agreement, as amended, paid fees to Bank of America, N.A., as Administrative Agent, and Merrill Lynch, Pierce, Fenner & Smith, Incorporated, successor to Banc of America Securities LLC, as Arranger.

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

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

The Borrowers' obligations under the Revolving Credit Facility are secured by a first priority lien and security interest in specified receivable rights, whether then owned or thereafter acquired, of the Borrowers and the Guarantors, and by a second priority lien and security interest in substantially all assets other than those receivable rights of the Borrowers and Guarantors, excluding trust accounts and certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts, the General Partner's interest in us and the General Partner's incentive distribution rights under our partnership agreement. The specified receivable rights include all accounts and other rights to payment arising under customer contracts or agreements or management agreements, and all inventory, general intangibles and other rights reasonably related to the collection and performance of these accounts and rights to payment.

The Borrowers' obligations under the Acquisition Credit Facility are secured by a first priority lien and security interest in substantially all assets, whether then owned or thereafter acquired, other than specified receivable rights of the Borrowers and the Guarantors, excluding trust accounts and certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts, the General Partner's interest in us and the General Partner's incentive distribution rights under our partnership agreement, and a secondary priority lien and security interest in those specified receivable rights. These assets secure the Acquisition Credit Facility and the senior secured notes described above. The priority of the liens and security interests securing the Acquisition Credit Facility is pari passu with the liens and security interests securing the senior secured notes described below.

The agreements governing the Revolving Credit Facility 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. 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. The Company complied with these covenants as of December 31, 2010.

We used some of the proceeds from our February 9, 2011 public offering of common units to pay any outstanding amounts under our Revolving Credit Facility and the Acquisition Credit Facility, which had balances of \$18.5 million and \$15.0 million, respectively, at December 31, 2010. Therefore, as of December 31, 2010, after giving effect to our public offering, we had \$55.0 million available under our Revolving Credit Facility and \$65.0 million available under our Acquisition Credit Facility.

Green Lawn Note

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

Nelms Note

In June of 2010, certain of our subsidiaries issued two installment notes in connection with our second quarter acquisition. The installment notes are to be paid over a 4 year period and mature April 1, 2014. The installment notes do not have a stated rate of interest. We recorded the installment notes at their fair market value.

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of approximately \$2.6 million. The face amounts of the installment notes were discounted approximately \$0.7 million, and the discount will be amortized to interest expense over the life of the Installment Notes. At December 31, 2010, the liability related to the note was stated on our balance sheet at approximately \$0.9 million.

In June of 2010, certain of our subsidiaries also issued four notes in the aggregate principal amount of approximately \$5.8 million in connection with the acquisition referenced above. These notes were paid at the closing of the acquisition referenced above by: (i) the issuance by us of 293,947 unregistered common units representing limited partnership interests in us valued at approximately \$5.6 million and (ii) a cash payment of approximately \$0.2 million.

Acquisition Non-Compete Notes

In connection with our second and third quarter 2010 acquisitions, certain of our subsidiaries issued installment notes in consideration for non-compete agreements executed with the former owners of the acquired entities. The installment notes are to be paid over periods of 4 to 6 years and mature between April 1, 2014 and July 1, 2016. The installment notes do not have a stated rate of interest. We recorded the installment notes at their fair market value of approximately \$2.1 million. The face amounts of the installment notes were discounted approximately \$0.4 million, and the discount will be amortized to interest expense over the life of the installment notes. At December 31, 2010, the liability related to the installment notes was stated on our balance sheet at approximately \$1.6 million.

Interest Rate Swaps

On November 24, 2009, we entered into an interest rate swap (the First Interest Rate Swap) wherein we agreed to pay the counterparty interest in the amount of three month LIBOR plus 888 basis points in consideration for the counterparties agreement to pay us a fixed rate of interest of 10.25% on a principal amount of \$108.0 million. Settlements are to be made net on a quarterly basis in February, May, August and November of each year. The First Interest Rate Swap expires on December 1, 2012.

On December 4, 2009, we entered into an interest rate swap (the Second Interest Rate Swap , together with the First Interest Rate Swap, the Interest Rate Swaps) wherein we agreed to pay the counterparty interest in the amount of three month LIBOR plus 869 basis points in consideration for the counterparties agreement to pay us a fixed rate of interest of 10.25% on a principal amount of \$27.0 million. Settlements are to be made net on a quarterly basis in February, May, August and November of each year. The Second Interest Rate Swap expires on December 1, 2012.

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

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

We entered into the Interest Rate Swaps in an effort to manage our total interest rate risk. The Interest Rate Swaps reduced cash paid for interest in the fourth quarter of 2009 and the year ended December 31, 2010 by approximately \$0.2 million and \$1.0 million, respectively.

On October 20, 2010, we elected to terminate the Interest Rate Swaps early. Upon termination, we received a payment of approximately \$2.0 million to settle the Interest Rate Swaps. For the year ended December 31, 2010, we recognized a gain of approximately \$4.7 million related to the change in fair value and termination payment of the Interest Rate Swaps.

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Cash Flow from Operating Activities

Cash flows provided by operating activities were \$3.1 million in 2010, a decrease of \$11.6 million, or 78.9%, compared to \$14.7 million in 2009. The decrease was driven in part by increased interest expense as we incurred debt to finance our acquisitions and we had higher interest rate debt outstanding during 2010. The remaining decrease was primarily driven by cash flow timing differences rather than specific operating results and a net cash inflow into our merchandise trust.

Cash flows provided by operating activities were \$14.7 million in 2009, a decrease of \$6.4 million, or 30.3%, compared to \$21.1 million in 2008. The reduction in operating cash flow was in large part driven by an increase of the net cash inflows into our merchandise trust (\$5.7 million).

Cash flows from operations in 2010, 2009 and 2008 exceeded our net income (loss) of (\$1.4 million), (\$4.4 million) and \$4.6 million, respectively, during the same periods. The differences between our operating cash flows and net income are in large part attributable to the fact that various cash inflows for payments of amounts due under pre-need sales contracts were not and are not as of yet recognized as revenues as we had not and have not met the delivery criteria for revenue recognition. Although there is no assurance, we expect that the trend of operating cash flows exceeding net income will continue into the foreseeable future.

Cash Flow from Investing Activities

Net cash used in investing activities was \$49.6 million during 2010, an increase of \$37.4 million, or 306.6%, compared to \$12.2 million during 2009. Cash used for acquisitions in during 2010 was \$39.1 million as compared to \$4.1 million in 2009. Further, cash flow used for additions to cemetery property and property and equipment were \$10.1 million in 2010 as compared to \$7.3 million in 2009.

Net cash used in investing activities was \$12.2 million during 2009, a decrease of \$4.8 million, or 28.2%, compared to \$17.0 million during 2008. Cash flows used for investing activities during 2009 were primarily utilized for acquisitions made in the second and third quarters (\$4.1 million), expansion capital improvements at our properties (\$4.8 million), maintenance capital improvements at our cemeteries (\$2.5 million) offset by consideration received for the disposition of a funeral home (\$0.4 million). Cash flows used for investing activities during 2008 were primarily utilized for acquisitions (\$5.6 million), expansion capital improvements at our properties (\$4.4 million) and maintenance capital improvements at our cemeteries (\$4.8 million).

Cash Flow from Financing Activities

Net cash provided by financing activities was \$40.5 million during 2010, an increase of \$36.6 million, compared to \$3.9 million during 2009. The 2010 net cash inflow was primarily related to proceeds from a public unit offering (\$38.9 million) and net additional borrowings (\$33.7 million), offset by distributions to unitholders (\$32.4 million) and costs related to financing (\$0.6 million). The 2009 net cash inflow was primarily related to proceeds from a public unit offering (\$23.7 million) and net additional borrowings (\$20.8 million), offset by distributions to unitholders (\$27.3 million) and costs related to financing (\$13.9 million).

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

Table of Contents***Intercreditor and Collateral Agency Agreement***

In connection with the closing of our credit facilities and the private placement of the notes we entered into, along with our general partner, certain of our subsidiaries, the lenders under the credit facility, the holders of the notes and Bank of America, N.A, as collateral agent, an intercreditor and collateral agency agreement setting forth the rights and obligations of the parties to the agreement as they relate to the collateral securing the Credit Facility and the Senior Secured Notes.

Capital Expenditures

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

	Year ended December 31,		
	2010	2009 (In thousands)	2008
Maintenance capital expenditures	\$ 7,878	\$ 2,524	\$ 4,809
Expansion capital expenditures	41,327	8,870	12,237
Total capital expenditures	\$ 49,205	\$ 11,394	\$ 17,046

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.

Off Balance Sheet Arrangements, Contractual Obligations and Contingencies

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

A summary of our total contractual obligations as of December 31, 2010 is presented in the table below:

	Total	As of 12/31/2010			More than 5 years
		Less than 1 year	1-3 years (In thousands)	3-5 years	
Debt (1)	\$ 334,598	\$ 17,930	\$ 103,428	\$ 31,753	\$ 181,487
Operating leases	8,938	1,801	3,051	1,570	2,516
Merchandise liabilities (2)	113,356				

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Total	\$ 456,892	\$ 19,731	\$ 106,479	\$ 33,323	\$ 184,003
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- (1) Represents the interest payable and par value of debt due and does not include the unamortized debt discount of \$3,598 at December 31, 2010. The following debt maturing in 2012 was repaid subsequent to December 31, 2010 using proceeds from our February 9, 2011 follow on public offering: \$15.0 million from our Acquisition Credit Facility, \$18.5 million from our Revolving Credit Facility, \$17.5 million of Class B Senior secured notes and \$17.5 million of Class C Senior secured notes.
- (2) Total cannot be separated into periods because we are unable to anticipate when the merchandise will be needed. We had no off-balance sheet arrangements as of December 31, 2010 or 2009.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

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

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

Interest-bearing Investments

Our fixed-income securities subject to market risk consist primarily of investments in our merchandise trusts and perpetual care trusts. As of December 31, 2010, the fair value of fixed-income securities in our merchandise trusts represented 3.6% of the fair value of total trust assets while the fair value of fixed-income securities in our perpetual care trusts represented 9.6% of the fair value of total trust assets. The aggregate quoted fair value of these fixed-income securities was \$11.5 million and \$23.9 million in merchandise trusts and perpetual care trusts, respectively, as of December 31, 2010. Each 1% change in interest rates on these fixed-income securities would result in changes of approximately \$0.1 million and \$0.2 million in the fair market value of the assets in our merchandise trusts and perpetual care trusts, respectively, based on discounted expected future cash flows. If these securities are held to maturity, no change in fair market value will be realized.

Our money market and other short-term investments subject to market risk consist primarily of investments in our merchandise trusts and perpetual care trusts. As of December 31, 2010, the fair value of money market and short-term investments in our merchandise trusts represented 12.8% of the fair value of total trust assets while the fair value of money market and short term investments in our perpetual care trusts represented 8.2% of the fair value of total trust assets. The aggregate quoted fair value of these securities was \$40.7 million and \$20.6 million in merchandise trusts and perpetual care trusts, respectively, as of December 31, 2010. Each 1% change in interest rates on these fixed-income securities would result in changes of approximately \$0.4 million and \$0.2 million in the fair market value of the assets in our merchandise trusts and perpetual care trusts, respectively.

Marketable Equity Securities

Our marketable equity securities subject to market risk consist primarily of investments held in our merchandise trusts and perpetual care trusts. These assets consist of investments in both individual equity securities as well as closed and open ended mutual funds. As of December 31, 2010, the fair value of marketable equity securities in our merchandise trusts represented 23.6% of the fair value of total trust assets while the fair

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value of marketable equity securities in our perpetual care trusts represented 22.9% of total trust assets. The aggregate quoted fair market value of these marketable equity securities was \$75.2 million and \$57.3 million in merchandise trusts and perpetual care trusts, respectively, as of December 31, 2010, based on final quoted sales prices. Each 10% change in the average market prices of the equity securities would result in a change of approximately \$7.5 million and \$5.7 million in the fair market value of securities held in merchandise trusts and perpetual care trusts, respectively. As of December 31, 2010, the fair value of marketable closed and open ended mutual funds in our merchandise trusts represented 56.3% 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 58.8% of total trust assets. The aggregate quoted fair market value of these closed and open ended mutual funds was \$179.2 million and \$146.9 million in merchandise trusts and perpetual care trusts, respectively, as of December 31, 2010, 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 \$17.9 million and \$14.7 million in the fair market value of securities held in merchandise trusts and perpetual care trusts, respectively.

Investment Strategies and Objectives

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

State in a written document our expectations, objectives, tolerances for risk and guidelines in the investment of our assets;

Set forth a disciplined and consistent structure for managing all trust assets. This structure is based on a long-term asset allocation strategy, which is diversified across asset classes, investment styles and strategies. We believe this structure is likely to meet our stated objectives within our tolerances for risk and variability. This structure also includes ranges around the target allocations allowing for adjustments when appropriate to reduce risk or enhance returns. It further includes guidelines for the selection of investment managers and vehicles through which to implement the investment strategy;

Provide specific guidelines for each investment manager. These guidelines control the level of overall risk and liquidity assumed in each portfolio;

Appoint third-party investment advisors to oversee the specific investment managers and advise our Trust and Compliance Committee; and

Establish criteria to monitor, evaluate and compare the performance results achieved by the overall trust portfolios and by our investment managers. This allows us to compare the performance results of the trusts to our objectives and other benchmarks, including peer performance, on a regular basis.

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

We recognize the challenges we face in achieving our investment objectives in light of the uncertainties and complexities of contemporary investment markets. Furthermore, we recognize that, in order to achieve the stated long-term objectives, we may have short-term declines in market value. Given the need to maintain consistent values in the portfolio, we have attempted to develop a strategy which is likely to maximize returns and earnings without experiencing overall declines in value in excess of 3% over any 12-month period. We were able to achieve this objective in 2010 and 2009.

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

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Debt Instruments

Our Acquisition Credit Facility and Revolving Credit Facility bear interest at a floating rate, based on LIBOR, which is adjusted quarterly. These credit facilities will subject us to increases in interest expense resulting from movements in interest rates. As of December 31, 2010, we had \$15.0 million of outstanding borrowings under our Acquisition Credit Facility and \$18.5 million of outstanding borrowings under our Revolving Credit Facility. We subsequently used some of the proceeds from our February 9, 2011 offering of common units to pay down all amounts outstanding under the Acquisition Credit Facility and Revolving Credit Facility. Concurrent with our offering, we also entered into the Eighth Amendment to our Amended and Restated Credit Agreement (the Eighth Amendment to Credit Agreement). As part of this amendment, the lenders 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.

In the fourth quarter of 2009, we entered into two interest rate swaps wherein we swapped a fixed rate of interest for a floating rate of interest on \$135.0 million of debt. These interest rate swaps will subject us to increases in interest expense resulting from movements in interest rates. We reduced cash paid for interest by approximately \$0.2 million in the fourth quarter of 2009 and approximately \$1.0 million for the year ended December 31, 2010 as a result of these interest rate swaps. On October 20, 2010, we elected to terminate the Interest Rate Swaps early and we received a payment of approximately \$2.0 million to settle the Interest Rate Swaps. For the year ended December 31, 2010, we recognized a gain of approximately \$4.7 million related to the change in fair value and termination payment of the Interest Rate Swaps.

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Item 8. Financial Statements and Supplementary Data
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Levittown, Pennsylvania

We have audited the accompanying consolidated balance sheets of StoneMor Partners L.P. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, partners' capital, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of StoneMor Partners L.P. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the financial statements, the accompanying 2009 financial statements have been restated to correct a misstatement.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 29, 2011 expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

March 29, 2011

Table of Contents**StoneMor Partners L.P.****Consolidated Balance Sheets**

(in thousands)

	December 31, 2010	December 31, 2009 (As Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,535	\$ 13,479
Accounts receivable, net of allowance	45,149	37,273
Prepaid expenses	3,783	3,531
Other current assets	8,580	4,502
Total current assets	65,047	58,785
Long-term accounts receivable net of allowance	60,314	47,794
Cemetery property	283,460	228,048
Property and equipment, net of accumulated depreciation	66,249	47,636
Merchandise trusts, restricted, at fair value	318,318	203,829
Perpetual care trusts, restricted, at fair value	249,690	196,276
Deferred financing costs net of accumulated amortization	9,801	12,020
Deferred selling and obtaining costs	59,422	49,782
Deferred tax assets	605	451
Goodwill	19,851	480
Other assets		
	14,362	10,200
Total assets	\$ 1,147,119	\$ 855,301
Liabilities and partners capital		
Current liabilities		
Accounts payable and accrued liabilities	\$ 23,444	\$ 26,574
Accrued interest		
	2,034	1,829
Current portion, long-term debt	1,386	378
Total current liabilities	26,864	28,781
Other long-term liabilities		
	3,577	2,912
Fair value of interest rate swaps		2,681
Long-term debt	219,008	182,821
Deferred cemetery revenues, net		
	388,403	259,323
Deferred tax liabilities		
	18,029	4,676

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Merchandise liability

	113,356	65,894
Perpetual care trust corpus		
	249,690	196,276
Total liabilities	1,018,927	743,364
Commitments and Contingencies		
Partners capital		
General partner		
	1,809	1,839
Common partners		
	126,383	110,098
Total partners capital	128,192	111,937
Total liabilities and partners capital	\$ 1,147,119	\$ 855,301

Table of Contents**StoneMor Partners L.P.****Consolidated Statement of Operations**

(in thousands, except unit data)

	2010	2009 (As Restated)	2008
Revenues:			
Cemetery			
Merchandise	\$ 94,898	\$ 87,836	\$ 90,968
Services	40,951	36,947	36,894
Investment and other	35,897	33,055	31,623
Funeral home			
Merchandise	10,435	9,701	9,249
Services	15,111	13,664	14,714
Total revenues	197,292	181,203	183,448
Costs and Expenses:			
Cost of goods sold (exclusive of depreciation shown separately below):			
Perpetual care	5,094	4,727	4,326
Merchandise	18,435	17,067	18,556
Cemetery expense	48,784	41,246	41,651
Selling expense	38,245	34,123	34,806
General and administrative expense	24,591	22,498	21,372
Corporate overhead (including \$711, \$1,576, and \$2,262 in unit-based compensation for 2010, 2009 and 2008 respectively)	24,379	22,370	21,293
Depreciation and amortization	8,845	6,528	5,029
Funeral home expense			
Merchandise	4,001	3,716	3,684
Services	9,752	9,275	9,073
Other	6,184	6,015	6,308
Acquisition related costs	5,715	1,072	
Total cost and expenses	194,025	168,637	166,098
Operating profit	3,267	12,566	17,350
Gain on sale of funeral home		434	
Gain on acquisitions	7,153		
Increase (decrease) in fair value of interest rate swaps	4,724	(2,681)	
Expenses related to refinancing		2,242	
Interest expense	21,973	14,410	12,714
Income (loss) before income taxes	(6,829)	(6,333)	4,636
Income tax expense (benefit)			
State	(245)	808	304
Federal	(5,138)	(2,753)	(224)
Total income tax expense (benefit)	(5,383)	(1,945)	80
Net income (loss)	\$ (1,446)	\$ (4,388)	\$ 4,556
General partner's interest in net income (loss) for the period	\$ (29)	\$ (87)	\$ 91

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Limited partners interest in net income (loss) for the period			
Common	\$ (1,417)	\$ (3,622)	\$ 3,325
Subordinated	\$	\$ (679)	\$ 1,140
Net income (loss) per limited partner unit basic	\$ (0.10)	\$ (0.36)	\$ 0.38
Net income (loss) per limited partner unit diluted	\$ (0.10)	\$ (0.36)	\$ 0.38
Weighted average number of limited partners units outstanding basic and diluted	14,133	12,034	11,809

Table of Contents**StoneMor Partners L.P.****Consolidated Statement of Partners' Capital**

(in thousands)

	Partners' Capital		Total	General Partner	Total
	Common	Limited Partners Subordinated			
Balance, December 31, 2007	\$ 118,597	\$ 15,411	\$ 134,009	\$ 2,737	\$ 136,746
Proceeds from units issued in acquisition	500		500		500
General partner contribution				86	86
Conversion of subordinated to common units	3,745	(3,745)			
Acquisition unit price guarantee	(661)		(661)		(661)
Vesting of employee unit grant	3,822		3,822		3,822
Net income	3,325	1,140	4,465	91	4,556
Cash distribution	(18,277)	(6,738)	(25,015)	(643)	(25,658)
Balance, December 31, 2008	111,052	6,066	117,118	2,271	119,389
Proceeds from public offering	23,680		23,680		23,680
General partner contribution				509	509
Conversion of subordinated to common units	680	(680)			
Net loss	(3,622)	(679)	(4,301)	(87)	(4,388)
Cash distribution	(21,692)	(4,707)	(26,399)	(854)	(27,253)
Balance, December 31, 2009, as restated	110,098		110,098	1,839	111,937
Proceeds from public offering	38,891		38,891		38,891
Issuance of common units	9,727		9,727		9,727
Compensation related to UARs	488		488		488
General partner contribution				1,038	1,038
Net loss	(1,417)		(1,417)	(29)	(1,446)
Cash distribution	(31,404)		(31,404)	(1,039)	(32,443)
Balance, December 31, 2010	\$ 126,383	\$	\$ 126,383	\$ 1,809	\$ 128,192

Table of Contents**StoneMor Partners L.P.****Consolidated Statement of Cash Flows**

(in thousands)

	2010	2009 (As Restated)	2008
Operating activities:			
Net income (loss)	\$ (1,446)	\$ (4,388)	\$ 4,556
Adjustments to reconcile net income (loss) to net cash provided by operating activity:			
Cost of lots sold	7,124	5,179	5,306
Depreciation and amortization	8,845	6,528	5,029
Unit-based compensation	711	1,576	2,262
Previously capitalized acquisition costs		1,365	
Write down of deferred financing fees		2,242	
Accretion of debt discount	340	34	
Change in fair value of interest rate swap	(2,681)	2,681	
Gain on sale of funeral home		(434)	
Gain on acquisitions	(7,154)		
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	(15,357)	(9,770)	(6,678)
Allowance for doubtful accounts	951	103	513
Merchandise trust fund	(13,517)	(6,133)	(453)
Prepaid expenses	(252)	(109)	963
Other current assets	(3,836)	(239)	(900)
Other assets	144	(416)	(696)
Accounts payable and accrued and other liabilities	516	(125)	717
Deferred selling and obtaining costs	(9,640)	(7,987)	(5,959)
Deferred cemetery revenue	46,060	32,225	22,414
Deferred taxes (net)	(5,301)	(3,271)	(564)
Merchandise liability	(2,401)	(4,332)	(5,366)
Net cash provided by operating activities	3,106	14,729	21,144
Investing activities:			
Cost associated with potential acquisitions			(1,579)
Cash paid for cemetery property	(2,200)	(4,770)	(4,376)
Purchase of subsidiaries, net of common units issued	(39,127)		(5,621)
Divestiture of funeral home		434	
Acquisition unit-price guarantee			(661)
Cash paid for management agreements	(346)	(5,320)	
Cash paid for property and equipment	(7,878)	(2,524)	(4,809)
Net cash used in investing activities	(49,551)	(12,180)	(17,046)
Financing activities:			
Cash distributions	(32,443)	(27,253)	(25,658)
Additional borrowings on long-term debt	75,400	260,647	33,188
Repayments of long-term debt	(41,712)	(239,862)	(18,446)
Proceeds from public offerings	38,891	23,680	
Proceeds from general partner contribution	1,038	509	86
Cost of financing activities	(673)	(13,859)	

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Net cash provided by (used in) financing activities	40,501	3,862	(10,830)
Net increase (decrease) in cash and cash equivalents	(5,944)	6,411	(6,732)
Cash and cash equivalents Beginning of period	13,479	7,068	13,800
Cash and cash equivalents End of period	\$ 7,535	\$ 13,479	\$ 7,068
Supplemental disclosure of cash flow information			
Cash paid during the period for interest	\$ 21,433	\$ 13,239	\$ 12,732
Cash paid during the period for income taxes	\$ 1,411	\$ 1,886	\$ 4,820
Non-cash investing and financing activities			
Acquisition of asset by assumption of directly related liability	\$ 2,532	\$ 2,150	\$
Issuance of limited partner units for cemetery acquisition	\$ 5,785	\$	\$ 500

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

Nature of Operations

StoneMor Partners L.P. (StoneMor , the Company or the Partnership) is a provider of funeral and cemetery products and services in the death care industry in the United States. Through its subsidiaries, StoneMor offers a complete range of funeral merchandise and services, along with cemetery property, merchandise and services, both at the time of need and on a pre-need basis. As of December 31, 2010, the Partnership owned 236 and operated 257 cemeteries in 25 states and Puerto Rico and owned and operated 58 funeral homes in 17 states and Puerto Rico.

Basis of Presentation

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

Principles of Consolidation

The consolidated financial statements include the accounts of each of the Company s subsidiaries. These statements also include the accounts of the merchandise and perpetual care trusts in which the Company has a variable interest and is the primary beneficiary. The operations of 15 of the 21 managed cemeteries that the Company operates under long-term operating or management contracts are also consolidated in accordance with the provisions of ASC 810. The 3 cemeteries that the Company began operating under a long-term operating agreement in the third quarter of 2010 and the 3 cemeteries the Company began operating under long-term operating agreements in 2009 do 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. See Note 13 for further details. 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 21 cemeteries under long-term management or operating contracts totaled approximately \$33.9 million, \$27.2 million and \$27.7 million for the years ended December 31, 2010, 2009 and 2008 respectively. Total assets related to the 15 cemeteries under long-term management or operating contracts that we consolidate totaled approximately \$173.4 million and \$145.6 million at December 31, 2010 and 2009, respectively.

Summary of Significant Accounting Policies

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

Cash and Cash Equivalents

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

Cemetery Property

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

Property and Equipment

Property and equipment is recorded at cost and depreciated on a straight-line basis. Maintenance and repairs are charged to expense as incurred, whereas additions and major replacements are capitalized and depreciation is recorded over their estimated useful lives as follows:

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

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Depreciation expense was \$5.8 million, \$4.4 million and \$4.1 million for the years ended December 31, 2010, 2009 and 2008 respectively.

Merchandise Trusts

Pursuant to state law, a portion of the proceeds from pre-need sales of merchandise and services is put into trust (the merchandise trust) until such time that the Company meets the requirements for releasing trust principal, which is generally delivery of merchandise or performance of services. All investment earnings generated by the assets in the merchandise trusts (including realized gains and losses) are deferred until the associated merchandise is delivered or the services are performed. The fair value of the funds held in merchandise trusts at December 31, 2010 and 2009 was approximately \$318.3 million and \$203.8 million, respectively (see Note 5).

Perpetual Care Trusts

Pursuant to state law, a portion of the proceeds from the sale of cemetery property is required to be paid into perpetual care trusts. The perpetual care trust principal does not belong to the Company and must remain in this trust into perpetuity while interest and dividends may be released and used to defray cemetery maintenance costs, which are expensed as incurred. The Company consolidates the trust into the Company's financial statements in accordance with ASC 810-10-15-(13 through 22) because the trust is considered a variable interest entity for which the Company is the primary beneficiary. Earnings from the perpetual care trusts are recognized in current cemetery revenues. The fair value of funds held in perpetual care trusts at December 31, 2010 and 2009 was \$249.7 million and \$196.3 million, respectively (see Note 6).

Inventories

Inventories are classified within other current assets on the Company's consolidated balance sheets and include cemetery and funeral home merchandise valued at the lower of cost or net realizable value. Cost is determined primarily on a specific identification basis on a first-in, first-out basis. Inventories were approximately \$6.0 million and \$3.5 million at December 31, 2010 and 2009, respectively.

Impairment of Long-Lived Assets

The Company monitors the recoverability of long-lived assets, including cemetery property, property and equipment and other assets, based on estimates using factors such as current market value, future asset utilization, business and regulatory climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to evaluate an asset for impairment when events or circumstances indicate that a long-lived asset's carrying value may not be recovered. An impairment charge is recorded to write-down the asset to its fair value if the sum of future undiscounted cash flows is less than the carrying value of the asset. No impairment charges were recorded during the years ended December 31, 2010, 2009 and 2008, respectively.

Other-Than-Temporary Impairment of Trust Assets

The Company determines whether or not the impairment of a fixed maturity debt security is other-than-temporary by evaluating each of the following:

Whether it is the Company's intent to sell the security. If there is intent to sell, the impairment is considered to be other-than-temporary.

If there is no intent to sell, the Company evaluates if it is not more likely than not that the Company will be required to sell the debt security before its anticipated recovery. If the Company determines that it is more likely than not that it will be required to sell an impaired investment before its anticipated recovery, the impairment is considered to be other-than-temporary.

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The Company has further evaluated whether or not all assets in the merchandise trust have other-than-temporary impairments based upon a number of criteria including the severity of the impairment, length of time a security has been in a loss position, changes in market conditions and concerns related to the specific issuer.

If an impairment is considered to be other-than-temporary, the cost basis of the security is adjusted downward to its fair value.

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

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

The trust footnotes (Notes 5 and 6) disclose the adjusted cost basis of the assets in the both the merchandise and perpetual care trust. This adjusted cost basis includes any adjustments to the original cost basis due to other-than-temporary impairments.

Goodwill

The Company has recorded additions to goodwill of approximately \$19.4 million and \$0.5 million during the years ended December 31, 2010 and 2009, respectively, related to acquisitions (See Note 13). Those amounts represent the excess of the purchase price over the fair value of identifiable net assets acquired. The Company tests goodwill for impairment annually. In the first step of the goodwill impairment test, the Company compares the fair value of the reporting unit to its carrying amount, including goodwill. The Company determines fair value of each reporting unit using the income approach. The Company does not record an impairment of goodwill in instances where the fair value of a reporting unit exceeds its carrying amount. If the aggregate fair value of a reporting unit is less than the related carrying amount, the Company will record an impairment loss in an amount equal to the excess of the carrying amount of goodwill over the implied fair value. The Company has not impaired any goodwill during the years ended December 31, 2010 and 2009.

The changes in the carrying amount of goodwill are as follows (in thousands):

Balance as of December 31, 2008 and 2009	480
Acquisitions	19,371
Balance as of December 31, 2010	\$ 19,851

Two Class Method of Accounting for Earnings per Share

The Company utilizes the two class method of accounting for earnings per share as required by Accounting Topic 260. Under this method:

1. Periodic net income is reduced by the amount of dividends declared for each class of participating security in order to determine undistributed earnings.
2. Undistributed earnings are allocated to each participating security as if all earnings had been distributed in accordance with the distribution schedule per the partnership agreement.
3. Total periodic earnings (TPE) for each class is the sum of their share of dividends plus undistributed earnings.

The Company's general partner's agreement contains incentive distribution rights (IDR s) and such IDR s are detachable from the general partner units (i.e. can be sold on a stand alone basis). As a result, the Company must consider the IDR s to be a separate class of ownership interest and allocate and disclose TPE to such class by itself. For all periods presented, the Company distributed dividends in excess of earnings. As such, there was no allocation of TPE to the IDR s. Accordingly, the Consolidated Statement of Changes in Partners' Capital only reflects amounts

allocated to general and common partners.

Deferred Cemetery Revenues, Net

Revenues from the sale of services and merchandise, as well as any investment income from the merchandise trust is deferred until such time that the services are performed or the merchandise is delivered.

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

Sales of Cemetery Merchandise and Services

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

Pre-need sales are usually made on an installment contract basis. Contracts are usually for a period not to exceed 60 months with payments of principal and interest required. For those contracts that do not bear a market rate of interest, the Company imputes such interest based upon the prime rate plus 150 basis points (this resulted in a rate of 4.75% for contracts entered into during the years ended December 31, 2010 and 2009, and 9.0% for contracts entered into during the year ended December 31, 2008) in order to segregate the principal and interest component of the total contract value.

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

The allowance for customer cancellations is established based on management's estimates of expected cancellations and historical experiences and is currently averaging approximately 10% of total contract values. Future cancellation rates may differ from this current estimate. Management will continue to evaluate cancellation rates and will make changes to the estimate should the need arise. Actual cancellations did not vary significantly from the estimates of expected cancellations at December 31, 2010 and December 31, 2009, respectively.

Revenue recognition related to sales of cemetery merchandise and services is governed by Securities and Exchange Commission Staff Accounting Bulletin No. 104, *Revenue Recognition in Financial Statements* (SAB No. 104), and the retail land sales provisions of ASC 976. Per this guidance, revenue from the sale of burial lots and constructed mausoleum crypts is deferred until such time that 10% of the sales price has been collected, at which time it is fully earned; revenues from the sale of unconstructed mausoleums are recognized using the percentage-of-completion method of accounting while revenues from merchandise and services are recognized once such merchandise is delivered (title has transferred to the customer and the merchandise is either installed or stored, at the direction of the customer, at the vendor's warehouse or a third-party warehouse at no additional cost to us) or services are performed.

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

The Company records a merchandise liability equal to the estimated cost to provide services and purchase merchandise for all outstanding and unfulfilled pre-need contracts. The merchandise liability is established and recorded at the time of the sale but is not recognized as an expense until such time that the associated revenue for the underlying contract is also recognized. The merchandise liability is established based on actual costs incurred

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or an estimate of future costs, which may include a provision for inflation. The merchandise liability is reduced when services are performed or when payment for merchandise is made by the Company and title is transferred to the customer.

Sales of Funeral Home Services

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

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

Net Income per Unit

Basic net income per unit is determined by dividing net income, after deducting the amount of net income allocated to the general partner interest from its issuance date of September 20, 2004, by the weighted average number of units outstanding during the period. Diluted net income per unit is calculated in the same manner as basic net income per unit, except that the weighted average number of outstanding units is increased to include the dilutive effect of outstanding unit options or phantom unit options. All outstanding UARs at December 31, 2010 (See Note 11) that would have a dilutive effect were assumed to be exercised and converted to common units using the average fair market value of a common unit for the period presented.

New Accounting Pronouncements

In the third quarter of 2010, the FASB issued Update No. 2010-20 *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (Update 2010-20). Update 2010-20 is a disclosure only update that requires entities to disaggregate their financing receivable portfolio between portfolio segments and classes of financing receivables within each segment. Certain disclosures then must be made at both the portfolio segment and class level. The Company adopted Update 2010-20 beginning in the fourth quarter of 2010 (See Note 2). As this is a disclosure only update, the adoption of Update 2010-20 did not impact on the Company's financial position, results of operations or cash flows.

In the first quarter of 2010, the FASB issued Update No. 2010-06 *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* (Update 2010-06). Update 2010-06 requires each of the following new disclosures:

1. Entities must disclose separately significant transfers into and out of Level 1 and Level 2.
2. Reconciliations of Level 3 measurements must provide gross information related to purchases, sales, issuances and settlements as opposed to netting such number.

Update 2010-06 provided each of the following amendments to existing disclosures:

3. Entities must provide fair value measurement for each class of asset and liability. A class is often a subset of a line item asset or liability.
4. Entities should provide disclosures about the valuation techniques used to measure fair value on Level 2 and Level 3 assets and liabilities in interim periods.

Disclosure requirements 1, 3 and 4 are applicable for all periods beginning after December 15, 2009. Disclosure requirement 2 is applicable for all periods beginning after December 15, 2010. The Company has adopted disclosure requirements 1, 3 and 4 as of January 1, 2010 and requirement 2 as of January 1, 2011. As this is a disclosure only requirement, there was no impact on the financial position of the Company related to this adoption.

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

2. LONG-TERM ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

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

	As of December 31, 2010	2009 (As Restated)
	(in thousands)	
Customer receivables	\$ 135,783	\$ 112,419
Unearned finance income	(14,488)	(14,002)
Allowance for contract cancellations	(15,832)	(13,350)
	105,463	85,067
Less: current portion net of allowance	45,149	37,273
Long-term portion net of allowance	\$ 60,314	\$ 47,794

	For the Year Ended December 31,		
	2010	2009 (As Restated)	2008
	(in thousands)		
Balance Beginning of period	\$ 13,350	\$ 13,763	\$ 11,540
Reserve on acquired contracts			1,884
Provision for cancellations	16,529	13,201	12,888
Charge-offs net	(14,047)	(13,614)	(12,549)
Balance End of period	\$ 15,832	\$ 13,350	\$ 13,763

The Company's customer receivables are considered financing receivables as they primarily relate to pre-need sales which are usually made on an installment contract basis. Contracts are usually for a period not to exceed 60 months with payments of principal and interest required. The Company has a standard contractual agreement that it executes related to these receivables and therefore the Company only has one portfolio segment of receivables with no separate classes of receivables within that segment.

Management evaluates customer receivables for impairment on an individual contract basis based upon the age of the receivable and a customer's payment history. The Company's receivables primarily relate to pre-need sales and therefore the Company has not performed the service or delivered the merchandise to which the receivable relates. As a result, the Company has some leverage with its customers in terms of collecting its receivables. Further, the Company will be flexible with customers who have difficulty making payments and will try to create revised or alternative payment agreements with the customer. As a result, the Company does not write-off of a receivable until all possible collection efforts have been exhausted. As of December 31, 2010, approximately 9% of the Company's gross accounts receivable balance was 90 days past due.

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Cemetery property consists of the following:

	As of December 31, 2010	2009 (As Restated)
	(in thousands)	
Developed land	\$ 61,849	\$ 25,025
Undeveloped land	159,386	156,374
Mausoleum crypts and lawn crypts	62,225	46,649
Total	\$ 283,460	\$ 228,048

4. PROPERTY AND EQUIPMENT

Major classes of property and equipment follow:

	As of December 31, 2010	2009 (As Restated)
	(in thousands)	
Building and improvements	\$ 67,247	\$ 46,376
Furniture and equipment	31,947	29,521
	99,194	75,898
Less: accumulated depreciation	(32,945)	(28,262)
Property and equipment net	\$ 66,249	\$ 47,636

5. MERCHANDISE TRUSTS

At December 31, 2010 and December 31, 2009, 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 (REITs); Master Limited Partnerships and global equity securities;

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Fixed maturity debt securities issued by various corporate entities;

Fixed maturity debt securities issued by the U.S. Government and U.S. Government agencies; and

Fixed maturity debt securities issued by U.S. states and local government agencies.

All of these investments are classified as Available for Sale as defined by ASC 320-10-25-1. Accordingly, all of the assets are carried at fair value. All of these investments are considered to be either Level 1 or Level 2 assets as defined by ASC 820-10-35-(39 through 51H). At December 31, 2010, approximately 92.7% of these assets were Level 1 investments while approximately 7.3% were Level 2 assets. At December 31, 2009, approximately 88.7% of these assets were Level 1 investments while approximately 11.3% were Level 2 assets. There were no Level 3 assets. Other invested assets for the years ended December 31, 2010 and 2009 includes \$6.4 million and \$5.8 million of assets, respectively, that are managed and held by the state of West Virginia as required by law.

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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.

The cost and market value associated with the assets held in the merchandise trusts at December 31, 2010 and December 31, 2009 is presented below:

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
As of December 31, 2009	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Short-term investments	\$ 47,451	\$	\$	\$ 47,451
Fixed maturities:				
U.S. Government and federal agency				
U.S. State and local government agency	33		(10)	23
Corporate debt securities	3,204	90	(48)	3,246
Other debt securities	4,537	448		4,985
Total fixed maturities	7,774	538	(58)	8,254
Mutual funds debt securities	39,545	8	(840)	38,713
Mutual funds equity securities	93,472		(23,034)	70,438
Equity securities	34,818	1,249	(4,304)	31,763
Other invested assets	7,184	26		7,210
Total	\$ 230,244	\$ 1,821	\$ (28,236)	\$ 203,829

The contractual maturities of debt securities as of December 31, 2010 and December 31, 2009 are presented below:

As of December 31, 2010	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
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	(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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As of December 31, 2009	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
	(in thousands)			
U.S. Government and federal agency	\$	\$	\$	\$
U.S. State and local government agency	23			
Corporate debt securities		1,408	1,683	155
Other debt securities	4,985			
Total fixed maturities	\$ 5,008	\$ 1,408	\$ 1,683	\$ 155

An aging of unrealized losses on the Company's investments in fixed maturities and equity securities at December 31, 2010 and December 31, 2009 is presented below:

As of December 31, 2010	Less than 12 months Fair Value	Unrealized Losses	12 Months or more Fair Value	Unrealized Losses	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

As of December 31, 2009	Less than 12 months Fair Value	Unrealized Losses	12 Months or more Fair Value	Unrealized Losses	Fair Value	Total Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	\$	\$	\$	\$	\$	\$
U.S. State and local government agency	23	10			23	10
Corporate debt securities	1,554	18	263	30	1,817	48
Other debt securities						
Total fixed maturities	1,577	28	263	30	1,840	58
Mutual funds - debt securities	9,456	118	15,086	722	24,542	840
Mutual funds - equity securities			70,439	23,034	70,439	23,034
Equity securities	2,307	191	25,686	4,113	27,993	4,304
Total	\$ 13,340	\$ 337	\$ 111,474	\$ 27,899	\$ 124,814	\$ 28,236

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A reconciliation of the Company's merchandise trust activities for the years ended December 31, 2010 and December 31, 2009 is presented below:

Year ended December 31, 2010

Fair Value @ 12/31/2009	Contributions	Distributions	Interest/Dividends	Capital Gain Distributions (in thousands)	Realized Gain/Loss (a)	Taxes	Fees	Unrealized Change in Fair Value	Fair Value @ 12/31/2010
\$ 203,829	97,401	(28,480)	1,993	1,601	7,025	(904)	(1,869)	37,722	\$ 318,318

Year ended December 31, 2009

Fair Value @ 12/31/2008	Contributions	Distributions	Interest/Dividends	Capital Gain Distributions (in thousands)	Realized Gain/Loss (a)	Taxes	Fees	Unrealized Change in Fair Value	Fair Value @ 12/31/2009
\$ 161,605	56,701	(58,398)	8,373	367	(4,736)	(624)	(946)	41,487	\$ 203,829

(a) Includes \$8,361 and \$6,758 in losses for other-than-temporarily impaired assets in 2010 and 2009 respectively. The Company made net deposits into the trusts of approximately \$68.9 million and net distributions out of the trusts of approximately \$1.7 million during the years ended December 31, 2010 and 2009 respectively. During the year ended December 31, 2010, purchases and sales of securities available for sale included in trust investments were approximately \$448.3 million and \$365.0 million, respectively. During the year ended December 31, 2009, purchases and sales of securities available for sale included in trust investments were approximately \$261.0 million and \$255.2 million, respectively. Contributions include \$72.2 million and \$1.8 million of assets that were acquired through acquisitions during the years ended December 31, 2010 and 2009, respectively.

Other-Than-Temporary Impairment of Trust Assets

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

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

In accordance with ASC 320-10-65-1, the Company assesses whether an impairment is other-than-temporary by performing each of the following:

Fixed Maturity Debt Securities

The Company assesses whether it has the intent to sell any impaired debt security or;

The Company assesses whether it is more likely than not it will be required to sell the any impaired debt security before its anticipated recovery

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If either of these conditions exists, the impairment is considered to be other than temporary.

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

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The Company assesses the overall credit quality of each issue by evaluating its credit rating as reported by any credit rating agency. The Company also determines if there has been any downgrade in its creditworthiness as reported by such credit rating agency.

The Company determines if there has been any suspension of interest payments or any announcements of any intention to do so.

The Company evaluates the length of time until the principal becomes due and whether the ability to satisfy this payment has been impaired.

Equity Securities

The Company compares the proportional decline in value to the overall sector decline as measured via certain specific indices.

The Company determines whether there has been further periodic decline from prior periods or whether there has been a recovery in value.

For all securities

The Company evaluates the severity of the impairment and length of time that a security has been in a loss position.

The Company determines if there is any publicly available information that would cause us to believe that impairment is other than temporary in nature.

During the year ended December 31, 2010, the Company determined that there were 17 securities, with an aggregate cost basis of approximately \$40.9 million, an aggregate fair value of approximately \$27.6 million and a resulting impairment of approximately \$13.3 million, wherein such impairment is considered to be other-than-temporary. Accordingly, the Company has adjusted the cost basis of these assets to their current value and recorded a realized loss on the securities. This loss has been deferred and is included on the balance sheet in deferred cemetery revenues, net. The loss will be recognized in income as we deliver the underlying merchandise to which these securities are related.

During the year ended December 31, 2010, the Company determined that there were no other than temporary impairments to the fixed maturity investment portfolio in the Merchandise Trusts due to credit losses.

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

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

6. PERPETUAL CARE TRUSTS.

At December 31, 2010 and December 31, 2009, the Company's perpetual care trust consisted of the following types of assets:

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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;

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Equity investments that are currently paying dividends or distributions. These investments include REITs and Master Limited Partnerships;

Fixed maturity debt securities issued by various corporate entities;

Fixed maturity debt securities issued by the U.S. Government and U.S. Government agencies; and

Fixed maturity debt securities issued by U.S. states and local agencies.

All of these investments are classified as Available for Sale as defined by ASC 320-10-25-1. Accordingly, all of the assets are carried at fair value. All of these investments are considered to be either Level 1 or Level 2 assets as defined by ASC 820-10-35-(39 through 51H). At December 31, 2010, approximately 90.3% of these assets were Level 1 investments while approximately 9.7% were Level 2 assets. At December 31, 2009, approximately 80.9% of these assets were Level 1 investments while approximately 19.1% were Level 2 assets. There were no Level 3 assets.

The cost and market value associated with the assets held in perpetual care trusts at December 31, 2010 and December 31, 2009 were as follows:

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

As of December 31, 2009	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term investments	\$ 46,615	\$	\$	\$ 46,615
Fixed maturities:				
U.S. Government and federal agency	4,747	66	(48)	4,765
U.S. State and local government agency	1,497	14	(74)	1,437
Corporate debt securities	13,722	369	(199)	13,892
Other debt securities	4,822	8		4,830
Total fixed maturities	24,788	457	(321)	24,924

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Mutual funds debt securities	36,677	24	(465)	36,236
Mutual funds equity securities	74,831	1	(22,275)	52,557
Equity Securities	33,514	3,385	(1,486)	35,413
Other invested assets	529	2		531
Total	\$ 216,954	\$ 3,869	\$ (24,547)	\$ 196,276

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The contractual maturities of debt securities as of December 31, 2010 and December 31, 2009 are as follows:

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

As of December 31, 2009	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
	(in thousands)			
U.S. Government and federal agency	\$ 806	\$ 3,230	\$ 438	\$ 291
U.S. State and local government agency	560	296	520	61
Corporate debt securities		6,166	7,104	622
Other debt securities	4,830			
Total fixed maturities	\$ 6,196	\$ 9,692	\$ 8,062	\$ 974

An aging of unrealized losses on the Company's investments in fixed maturities and equity securities at December 31, 2010 and December 31, 2009 held in perpetual care trusts is presented below:

As of December 31, 2010	Less than 12 months Fair Value	Unrealized Losses	12 Months or more Fair Value	Unrealized Losses	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

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As of December 31, 2009	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturities:						
U.S. Government and federal agency	\$ 1,708	\$ 42	\$ 188	\$ 6	\$ 1,896	\$ 48
U.S. State and local government agency	655	74			655	74
Corporate debt securities	6,796	76	1,246	123	8,042	199
Other debt securities						
Total fixed maturities	9,159	192	1,434	129	10,593	321
Mutual funds debt securities	1,969	347	900	118	2,869	465
Mutual funds equity securities			47,299	22,275	47,299	22,275
Equity securities	1,317	107	18,397	1,379	19,714	1,486
Total	\$ 12,445	\$ 646	\$ 68,030	\$ 23,901	\$ 80,475	\$ 24,547

A reconciliation of the Company's perpetual care trust activities for the years ended December 31, 2010 and 2009 is presented below:

Year ended December 31, 2010

Fair Value @ 12/31/2009	Contributions	Distributions	Interest/Dividends	Capital Gain Distributions	Realized Gain/Loss (a)	Taxes	Fees	Unrealized Change in Fair Value	Fair Value @ 12/31/2010
\$ 196,276	32,967	(15,414)	14,892	941	(14,048)	(425)	(1,525)	36,026	\$ 249,690

Year ended December 31, 2009

Fair Value @ 12/31/2008	Contributions	Distributions	Interest/Dividends	Capital Gain Distributions	Realized Gain/Loss (a)	Taxes	Fees	Unrealized Change in Fair Value	Fair Value @ 12/31/2009
\$ 152,797	45,685	(42,747)	12,823	381	(14,260)	(244)	(896)	42,737	\$ 196,276

(a) Includes \$16,539 and \$16,182 in losses for other-than-temporarily impaired assets in the year ended December 31, 2010 and 2009 respectively.

The Company made net deposits into the trusts of approximately \$17.6 million and \$2.9 million during the years ended December 31, 2010 and 2009 respectively. During the year ended December 31, 2010 purchases and sales of securities available for sale included in trust investments were approximately \$311.1 million and \$262.6 million, respectively. During the year ended December 31, 2009 purchases and sales of securities available for sale included in trust investments were approximately \$218.0 million and \$207.9 million, respectively. Contributions include \$19.8 million and \$6.4 million of assets that were acquired through acquisitions during the years ended December 31, 2010 and 2009, respectively.

Other-Than-Temporary Impairment of Trust Assets

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

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During the year ended December 31, 2010, the Company determined that there were 3 securities, with an aggregate cost basis of approximately \$25.6 million, an aggregate fair value of approximately \$10.8 million and a resulting impairment of approximately \$14.8 million, wherein such impairment is considered to be other-than-

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temporary. Accordingly, the Company has adjusted the cost basis of these assets to their current value. This adjustment is solely a fair value adjustment between the cost basis and mark to market adjustment made to the assets in the perpetual care trusts. It has no impact on the Company's financial position, results of operations or cash flows as of and for the year ended December 31, 2010.

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

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

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. Settlements were to be made net on a quarterly basis in February, May, August and November of each year. The First Interest Rate Swap was set to expire on December 1, 2012.

On December 4, 2009, the Company entered into an interest rate swap (the Second Interest Rate Swap , together with the First Interest Rate Swap, the Interest Rate Swaps) wherein the Company agreed to pay the counterparty interest in the amount of three month LIBOR plus 869 basis points in consideration for the counterparties agreement to pay the Company a fixed rate of interest of 10.25% on a principal amount of \$27.0 million. Settlements were to be made net on a quarterly basis in February, May, August and November of each year. The Second Interest Rate Swap was set to expire on December 1, 2012.

The Company entered into the Interest Rate Swaps in an effort to manage interest rate risk. The Interest Rate Swaps reduced cash paid for interest in the fourth quarter of 2009 and the year ended December 31, 2010 by approximately \$0.2 million and \$1.0 million, respectively. The Interest Rate Swaps did not contain any credit risk contingent features. No collateral was required to be posted by either counterparty.

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

On October 20, 2010, the Company elected to terminate the Interest Rate Swaps early. Upon termination, the Company received a payment of approximately \$2.0 million to settle the Interest Rate Swaps. For the year ended December 31, 2010, the Company recognized a gain of approximately \$4.7 million related to the change in fair value and termination payment of the Interest Rate Swaps.

Table of Contents**8. LONG-TERM DEBT**

The Company had the following outstanding debt at:

	As of December 31,	
	2010	2009
	(in thousands)	(in thousands)
Insurance premium financing	\$ 215	\$ 190
Vehicle Financing	1,365	547
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)	866	
Note Payable acquisition non-competes	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	17,500
Class C Senior secured notes, due 2012 (interest rate-12.50%)	17,500	17,500
Total	223,992	187,137
Less current portion	1,386	378
Less unamortized bond discount	3,598	3,938
 Long-term portion	 \$ 219,008	 \$ 182,821

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.

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

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

repay approximately \$30.7 million of borrowings under the Revolving Facility (as defined below);

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repay approximately \$104.7 million of borrowings under the Acquisition Credit Facility (as defined below); and

redeem \$17.5 million of outstanding 11.00% Series B Senior Secured Notes due 2012 (the Series B Notes).

Indenture

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

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

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

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

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

are effectively subordinated in right of payment to existing and future secured debt of the Issuers, to the extent of the value of the assets securing such debt; and

are structurally subordinated to all of the existing and future liabilities of each subsidiary of the Issuers that does not guarantee the Senior Notes.

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

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

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

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

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

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

The Indenture requires the Company, the Issuers and/or the Note Guarantors, as applicable, to comply with various covenants including, but not limited to, covenants that, subject to certain exceptions, limit the Company's and its subsidiaries' ability to (i) incur additional indebtedness; (ii) make certain dividends, distributions, redemptions or investments; (iii) enter into certain transactions with affiliates; (iv) create, incur, assume or permit to exist certain liens against their assets; (v) make certain sales of their assets; and (vi) engage in certain mergers, consolidations or sales of all or substantially all of their assets. The Indenture also contains various affirmative covenants regarding, among other things, delivery of certain reports filed with the SEC and materials required pursuant to Rule 144A under the Securities Act to holders of the Senior Notes and joinder of future subsidiaries as Note Guarantors under the Indenture. The Company was in compliance with all financial covenants at December 31, 2010.

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

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

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9. other than in accordance with the terms of the Note Guarantee and the Indenture, any Note Guarantee ceasing to be in full force and effect, being declared null and void and unenforceable, found to be invalid or any Guarantor denying its liability under its Note Guarantee.

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Registration Rights Agreement

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

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

The Issuers are required to pay additional interest to the holders of the Senior Notes under certain circumstances if they fail to comply with their obligations under the Registration Rights Agreement. In October of 2010, the Company complied with the terms of the registration rights agreement.

Note Purchase Agreement

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

Pursuant to the NPA, the Note Issuers and the Note Purchasers agreed to (a) exchange certain senior secured notes previously issued by the Note Issuers to the Note Purchasers on September 20, 2004, for new Series A Notes, as defined in the NPA, due September 20, 2009, in the amount of \$80.0 million; and (b) issue Series B Notes, as defined in the NPA, due August 15, 2012 in the aggregate amount of \$35.0 million, subject to the option, on an uncommitted basis, to issue/purchase additional secured Shelf Notes in the aggregate amount of up to \$35.0 million, and to issue/purchase additional secured Shelf Notes to refinance the Series A Notes.

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

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

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

The Notes were guaranteed by both the Company and StoneMor GP. The Notes ranked pari passu with all other senior secured debt, including the Revolving Credit Facility and the Acquisition Credit Facility. Obligations under the Notes were secured by a first priority lien and security interest covering substantially all of

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the assets of the Note Issuers, whether then owned or thereafter acquired, other than specified receivable rights and a second priority lien and security interest covering those specified receivable rights of the Note Issuers, whether then owned or thereafter acquired. These assets secured the Notes and the Acquisition Credit Facility described below. The priority of the liens and security interests securing the Notes is pari passu with the liens and security interests securing the Acquisition Credit Facility described below.

On April 30, 2009, the Company entered into the Second Amendment to Amended and Restated Credit Agreement by and among the Company and certain of the Company's subsidiaries, the lenders, and Bank of America, N.A., as Administrative Agent (the Second Amendment to Credit Agreement), pursuant to which the Company borrowed \$63.0 million under the new Acquisition Credit Facility commitments, which, together with the \$17.0 million of the existing availability under the Acquisition Credit Facility, were used to repay the Series A Notes. In addition, we borrowed \$5.4 million under the Revolving Credit Facility, which was used to pay the accrued interest on the Series A Notes, fees to Bank of America, N.A., amendment fees to noteholders under the Second Amendment to NPA described below as well as various other fees and costs incurred in connection with these transactions. In connection with the Second Amendment to Credit Agreement, on April 30, 2009, the Company also entered into the Second Amendment to Amended and Restated Note Purchase Agreement by and among the Company, the General Partner and certain of the Company's subsidiaries and the noteholders (the Second Amendment to NPA).

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

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

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

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

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

The Amended NPA Notes bear an interest rate of 11.00% per annum, payable quarterly. Under the Fourth Amendment to NPA, the interest rate on the Amended NPA Notes was to be increased by 1.5% per annum during any period in which (i) any holder of the Amended NPA Notes is required to maintain reserves in excess

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of 3.4% of the principal amount of such Amended NPA Notes, as a result of a decision of an insurance regulatory authority having responsibility for valuation of insurance company assets (an IR Authority) or (ii) the Senior Notes issued pursuant to the Notes Offering are designated any rating below BB- (or its equivalent) by an IR Authority, provided that any Amended NPA Notes are not designated a separate rating of BB- or higher (or its equivalent) by such authority (each, a Reserve Event).

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

On May 4, 2010, the Company entered into the Sixth Amendment to Amended and Restated Note Purchase Agreement (the Sixth Amendment to Credit Agreement) to, among other matters, provide for (i) changes to the Consolidated Leverage Ratio similar to the changes under the Sixth Amendment to Credit Agreement as described below, and (ii) the payment by the Partnership to each holder of Amended Series B Notes and Amended Series C Notes of additional interest at a rate of 0.25% per annum (the Additional Interest) from May 4, 2010 until such time as each holder of Notes shall have received a Compliance Certificate for the most recently completed four fiscal quarters of the Partnership ending on or after December 31, 2010 evidencing that the Consolidated Leverage Ratio was less than 3.75 to 1.00 for such period. The Amended Series B Notes and Amended Series C Notes were amended and restated to provide for the payment of the Additional Interest as described in the Sixth Amendment to NPA.

The Sixth Amendment to NPA also included a consent by the Noteholders to an increase in the Aggregate Credit Facility Cap from \$80.0 million to \$100.0 million, an increase in the Acquisition Facility Cap from \$45.0 million to \$55.0 million and an increase in the Revolving Facility Cap from \$35.0 million to \$45.0 million.

On September 22, 2010, concurrently with the closing of a public offering of common units, the Company entered into the Seventh Amendment to Amended and Restated Note Purchase Agreement (the Seventh Amendment to NPA) to, among other things, permit the reinstatement of the Acquisition Credit Facility under the Credit Agreement, as amended, as described below.

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

The NPA (as amended) contains restrictive covenants that, among other things, prohibit distributions upon defined events of default, restrict investments and sales of assets and require the Company to maintain certain financial covenants, including specified financial ratios. 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 NPA, as amended. Any such breach could allow the lenders to accelerate (or create cross-default) under the Company's debt which would have a material adverse effect on the Company's business, financial condition or results of operations. The Company was in compliance with financial covenants at December 31, 2010.

On January 28, 2011, and in connection with our February 2011 follow on public offering of common units, the Company entered into the Eighth Amendment to the Amended and Restated Credit Agreement (the Eighth

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Amendment to 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 Amended NPA Notes and to pay an aggregate make-whole premium of \$3.8 million related thereto. Therefore, as of February 9, 2011, the Amended NPA Notes were paid in full. See Subsequent Events (Note 17).

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). 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.

The Credit Agreement initially provided that: (1) the Acquisition Credit Facility would have a maximum principal amount of \$40.0 million (with an option to increase such facility by an additional \$15.0 million on an uncommitted basis) and the term of 5 years, and (2) the Revolving Credit Facility would have a maximum principal amount of \$25.0 million (with an option to increase such facility by up to \$10.0 million on an uncommitted basis) and a term of 5 years. Amounts borrowed under the Acquisition Credit Facility and repaid or prepaid may not be reborrowed and amounts borrowed under the Revolving Credit Facility and repaid or prepaid during the term may be reborrowed. In addition, Bank of America agreed to provide to the borrowers swing line loans (Swing Line Loans) with a maximum limit of \$5.0 million, which is a part of the Revolving Credit Facility. Loans outstanding under the Acquisition Credit Facility and the Revolving Credit Facility bear interest at rates set forth in the Credit Agreement, which have since been amended as described below.

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

On April 30, 2009, the Company, the General Partner and the Borrowers entered into the Second Amendment to Credit Agreement with the lenders and Bank of America. The Second Amendment to Credit Agreement amended the Credit Agreement to, among other matters, increase (i) the Revolving Credit Facility to a maximum aggregate principal amount of \$35.0 million, with the ability to request further increases in a maximum aggregate principal amount of \$10.0 million, and (ii) the Acquisition Credit Facility to a maximum aggregate principal amount of \$102.9 million, with the ability to request further increases in a maximum aggregate principal amount of \$57.0 million, subject to a minimum increase amount of \$5.0 million. The maximum aggregate principal amount of the Acquisition Credit Facility was increased to \$107.9 million, with the ability to request further increases in a maximum aggregate principal amount of \$52.0 million, after giving effect to a \$5.0 million increase in the Acquisition Credit facility implemented through the Lender Joinder to Amended and Restated Credit Agreement, dated June 24, 2009, among the Company, the General Partner, the Borrowers and other parties thereto.

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

On November 24, 2009, concurrently with the closing of the Notes Offering and a common unit offering, the Company entered into the Fourth Amendment to Amended and Restated Credit Agreement (the Fourth Amendment to Credit Agreement) by and among the Company, its General Partner, the Borrowers, the lenders, and Bank of America, as Administrative Agent for the benefit of the lenders. The Fourth Amendment to Credit

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Agreement amended the Credit Agreement to, among other matters, (i) amend certain restrictive covenants and other terms set forth in the Credit Agreement to permit the Company to incur the indebtedness evidenced by the Senior Notes, enter into the Indenture and use the net proceeds of the Notes Offering and Units Offering as discussed above; (ii) decrease the Acquisition Credit Facility to a maximum aggregate principal amount of \$45.0 million, with the ability to request further increases in a maximum aggregate principal amount of \$10.0 million; and (iii) amend the Consolidated Leverage Ratio (as defined in the Credit Agreement, as amended).

On January 15, 2010, the Company entered into the Fifth Amendment to the Amended and Restated Credit Agreement which further amended the Consolidated Leverage Ratio. Loans outstanding under the Acquisition Credit Facility and the Revolving Credit Facility bear interest at a per annum rate based upon a base rate (the Base Rate) or a Eurodollar rate (the Eurodollar Rate) plus a margin ranging from 2.25% to 3.25% over the Base Rate and 3.25% to 4.25% over the Eurodollar Rate, as selected by the Borrowers. The Base Rate is the highest of (a) the Federal Funds Rate plus 0.5% or (b) the Prime Rate, as defined in the Credit Agreement, as amended. The Eurodollar Rate equals the greater of: (i) the British Bankers Association LIBOR Rate or (ii) if such rate is not available, the rate determined by Bank of America, N.A., as the Administrative Agent, subject to certain conditions. Margin is determined by the ratio of consolidated funded debt to consolidated EBITDA.

On May 4, 2010, the Company entered into the Sixth Amendment to Amended and Restated Credit Agreement (the Sixth Amendment to Credit Agreement) to, among other things, provide that the Company and the General Partner shall not permit the Consolidated Leverage Ratio to be greater than:

4.15 to 1.0, for the most recently completed four fiscal quarters ending prior to July 1, 2010;

4.00 to 1.0, for the most recently completed four fiscal quarters ending between July 1, 2010 and September 30, 2010;

3.75 to 1.0, for the most recently completed four fiscal quarters ending between October 1, 2010 and December 31, 2010; or

3.65 to 1.0, for the most recently completed four fiscal quarters ending after December 31, 2010.

The Consolidated Leverage Ratio was 3.22 at December 31, 2010.

Under the Credit Agreement, as amended, the interest rate on Base Rate Loans and Eurodollar Rate Loans is calculated based on the Base Rate or Eurodollar Rate, as applicable, plus the Applicable Rate. The Sixth Amendment to Credit Agreement amended the definition of Applicable Rate to provide that, commencing on May 4, 2010 until such time as the Agent shall have received a Compliance Certificate evidencing compliance with all financial covenants for the most recently completed four fiscal quarters of the Company ending on or after December 31, 2010, Pricing Level 3 of the Applicable Rate (the currently applicable pricing level) for (i) Eurodollar Rate Loans and Letter of Credit Fees shall be increased by 25 basis points to 4.50%, and (ii) Base Rate Loans shall be increased by 25 basis points to 3.50%.

The Sixth Amendment to Credit Agreement also amended the definition of Consolidated EBITDA to provide that Consolidated EBITDA shall not be adjusted for any changes resulting from the sale by the credit parties of all of their investments held, as of May 4, 2010, in one of more Merchandise Trusts in the Highland Floating Rate Advantage Fund.

Effective May 21, 2010, the Lenders increased each of the Revolving Credit Facility and the Acquisition Credit Facility by \$9.1 million. After giving effect to such increases, the maximum aggregate principal amount available under the Revolving Credit Facility was \$44.1 million and the maximum aggregate principal amount available under the Acquisition Credit Facility was \$54.1 million.

On September 22, 2010, concurrently with the closing of the common units offering from which the Company used \$22.5 million of net proceeds to prepay amounts on the Acquisition Credit Facility and used

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\$14.5 million of net proceeds to pay down amounts on the Revolving Credit Facility, the Company entered into the Seventh Amendment to Amended and Restated Credit Agreement to, among other things, reinstate the amount available on the Acquisition Credit Facility to a total of \$55.0 million and reinstate the amount available on the Revolving Credit Facility to \$45.0 million.

The Borrowers under the Credit Agreement, as amended, paid fees to Bank of America, as Administrative Agent, and BAS, as Arranger. In addition, 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 proceeds of the Acquisition Credit Facility may be used by the Borrowers to finance (i) Permitted Acquisitions, as defined in the Credit Agreement, and (ii) the purchase and construction of mausoleums. The proceeds of the Revolving Credit Facility and Swing Line Loans may be utilized to finance working capital requirements, Capital Expenditures, as defined in the Credit Agreement, as amended, and for other general corporate purposes.

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

The Borrowers' obligations under the Revolving Credit Facility are secured by a first priority lien and security interest in specified receivable rights, whether then owned or thereafter acquired, of the Borrowers and the Guarantors, and by a second priority lien and security interest in substantially all assets other than those receivable rights of the Borrowers and Guarantors, excluding trust accounts and certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts, the General Partner's interest in the Company and the General Partner's incentive distribution rights under the Company's partnership agreement. The specified receivable rights include all accounts and other rights to payment arising under customer contracts or agreements or management agreements, and all inventory, general intangibles and other rights reasonably related to the collection and performance of these accounts and rights to payment.

The Borrowers' obligations under the Acquisition Credit Facility are secured by a first priority lien and security interest in substantially all assets, whether then owned or thereafter acquired, other than specified receivable rights of the Borrowers and the Guarantors, excluding trust accounts and certain proceeds required by law to be placed into such trust accounts and funds held in trust accounts, the General Partner's interest in the Company and the General Partner's incentive distribution rights under the Company's partnership agreement, and a secondary priority lien and security interest in those specified receivable rights. These assets secure the Acquisition Credit Facility and the senior secured notes described above. The priority of the liens and security interests securing the Acquisition Credit Facility is pari passu with the liens and security interests securing the senior secured notes described above.

The agreements governing the Revolving Credit Facility, the Acquisition Credit Facility and Amended NPA Notes contain restrictive covenants that, among other things, prohibit distributions upon defined events of default, restrict investments and sales of assets and require the Company to maintain certain financial covenants, including specified financial ratios. A material decrease in sales could cause the Company to breach certain of its financial covenants, such as the leverage ratio and the interest coverage ratio, under the Company's Credit Agreement and NPA, as amended. Any such breach could allow the lenders to accelerate (or create cross-default under) the Company's debt which would have a material adverse effect on the Company's business, financial condition or results of operations. As of December 31, 2010, there were \$15.0 million of outstanding borrowings under the Acquisition Credit Facility and \$18.5 million of outstanding borrowings under the Revolving Credit Facility, and the Company was in compliance with applicable financial covenants.

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On January 28, 2011, and in connection with our February 2011 follow on public offering of common units, the Company entered into the Eighth Amendment to Credit Agreement which extended the Maturity Date from August 15, 2012 to January 29, 2016, limited Maintenance Capital Expenditures for any Measurement Period ending in 2011, 2012 and 2013 to \$4.6 million, \$5.2 million and \$5.8 million, respectively, and reduced the applicable margins for each of: (i) Eurodollar Rate Loans and Letter of Credit Fees and (ii) Base Rate Loans 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. The Eighth Amendment to Credit Agreement, also increased 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. See Note 17, Subsequent Events.

Green Lawn Note

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

Nelms Note

In June of 2010, certain of the Company's subsidiaries issued two installment notes in connection with the second quarter acquisition discussed in Note 13. The Installment Notes are to be paid over a 4 year period and mature April 1, 2014. The Installment Notes do not have a stated rate of interest. The Company has recorded the Installment Notes at their fair market value of approximately \$2.6 million. The face amounts of the Installment Notes were discounted approximately \$0.7 million, and the discount will be amortized to interest expense over the life of the Installment Notes. The installment notes bear 10.25% interest per annum on the portion of the outstanding balance after the maturity date or while there exists any uncured event of default or the exercise by lender of any remedies following the occurrence and during the continuance of any event of default. In addition, if StoneMor voluntarily files for bankruptcy or is involved in an involuntary bankruptcy proceeding, the entire principal balance of the installment notes will automatically become due and payable. At December 31, 2010, the liability related to the installment notes was stated on the Company's balance sheet at approximately \$0.9 million.

In June of 2010, certain of the Company's subsidiaries also issued four notes in the aggregate principal amount of approximately \$5.8 million in connection with the acquisition referenced above. These notes were paid at the closing of the acquisition referenced above by: (i) the issuance by the Company of 293,947 unregistered common units representing limited partnership interests of the Company valued at approximately \$5.6 million and (ii) a cash payment of approximately \$0.2 million.

Acquisition Non-Compete Notes

In connection with the Company's second and third quarter 2010 acquisitions, certain of the Company's subsidiaries issued installment notes in consideration for non-compete agreements executed with the former owners of the acquired entities. The Installment Notes are to be paid over periods of 4 to 6 years and mature between April 1, 2014 and July 1, 2016. The Installment Notes do not have a stated rate of interest. The Company has recorded the Installment Notes at their fair market value of approximately \$2.1 million. The face amounts of the Installment Notes were discounted approximately \$0.4 million, and the discount will be amortized to interest expense over the life of the Installment Notes. At December 31, 2010, the liability related to the Installment Notes was stated on the Company's balance sheet at approximately \$1.6 million.

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

The tax on the Company's net income is borne by its general and limited partners. Net income for financial statement purposes may differ significantly from the taxable income of such partners as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the partnership agreement. The aggregate difference in the basis of the Company's net assets for financial and tax reporting purposes cannot be readily determined because information regarding each partner's tax attributes is not available to the Company.

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

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

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

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

	Years ended December 31,		
	2010	2009 (As Restated) (in thousands)	2008
Current provision:			
Federal	\$	\$ 69	\$ 27
State	306	567	617
Total	306	636	644
Deferred provision:			
Federal	(5,138)	(2,822)	(251)
State	(551)	241	(313)
Total	(5,689)	(2,581)	(564)
Total taxes	\$ (5,383)	\$ (1,945)	\$ 80

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

	Years ended December 31,		
	2010	2009 (As Restated) (in thousands)	2008
Computed tax provision (benefit) at the applicable statutory tax rate	\$ (2,322)	\$ (2,153)	\$ 1,611
State and local taxes net of federal income tax benefit	202	374	401
Tax exempt (income) loss	238	365	(199)

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Change in valuation allowance	3,210	3,506	3,954
Partnership earnings not subject to tax	(6,882)	(4,079)	(5,970)
Permanent differences	171	42	283
Income taxes	\$ (5,383)	\$ (1,945)	\$ 80

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Deferred tax assets and liabilities result from the following:

	As of December 31, 2010	2009 (As Restated) (in thousands)
Deferred tax assets		
Prepaid expenses	\$ 2,279	\$ 3,093
State net operating loss	8,521	6,554
Federal net operating loss	43,608	31,765
Alternative minimum tax credit	67	66
Unrealized losses (gains)	(4,523)	10,566
Valuation allowance	(23,140)	(32,518)
Total deferred tax assets	26,812	19,526
Deferred tax liabilities		
Property, plant and equipment	5,337	1,735
Deferred revenue related to future revenues and accounts receivable	29,973	17,525
Deferred revenue related to cemetery property	8,926	4,491
Total deferred tax liabilities	44,236	23,751
Net deferred tax liabilities	\$ 17,424	\$ 4,225

We had available, at December 31, 2010, approximately less than \$0.1 million of alternative minimum tax credit carryforwards, which are available indefinitely, and \$124.9 million of federal net operating loss carryforwards, which will begin to expire in 2019 and \$170.4 million in state net operating losses which will begin to expire in 2010.

Management periodically evaluates all evidence, both positive and negative, in determining whether a valuation allowance to reduce the carrying value of deferred tax assets is required. In 2010, we concluded, based on the projected allocations of taxable income, that a deferred tax asset of approximately \$0.5 million will more likely than not be realized on several subsidiaries. In addition, several separate taxable subsidiaries were in a deferred tax liability position at December 31, 2010 and recognized those liabilities. The vast majority of the taxable subsidiaries continue to accumulate deferred tax assets that will not more likely than not be realized. A full valuation allowance continues to be maintained on these taxable subsidiaries. Ultimate realization of the deferred tax asset is dependent upon, among other factors, the Partnership's corporate subsidiaries ability to generate sufficient taxable income within the carryforward periods and is subject to change depending on the tax laws in effect in the years in which the carryforwards are used.

The Company follows the provisions of ASC Topic 740 (ASC 740) which requires that the Company recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than

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50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. As of January 1, 2010, the Company had approximately \$0.9 million of unrecognizable tax benefits. If recognized, the \$0.9 million of the unrecognized tax benefits would reduce income tax expense and the Company's effective tax rate. There were no changes between the beginning unrecognizable tax benefit amount and the amount at December 31, 2010. Based on the company's best judgment of the facts, the statute of limitations for this adjustment is expected to expire in the second quarter of 2011, therefore the company will likely recognize this tax position at that time.

The Company and its subsidiaries are subject to US federal income tax as well as income taxes of multiple state jurisdictions. The Company's effective tax rate fluctuates over time based on income tax rates in the various tax jurisdictions in which the Company operates and based on the level of earnings in those jurisdictions. Several entities of the Company were recently under examination by the Internal Revenue Service for its separate company US income tax returns for the year ended December 31, 2005. These audits were completed in the third quarter of 2009 with no impact to the financial statements. The Company is not currently under examination by any federal or state jurisdictions. The federal statute of limitations and certain state statutes of limitations are opened 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 consolidated financial statements over the next twelve months.

The Company recognizes any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses for all periods presented. The Company has not recorded any material interest or penalties during any of the years presented.

The net change in the valuation allowance for 2010 was a decrease of \$9,380. This change in the valuation allowance is the result of the change in unrealized gains and losses of the Company's investment portfolio, which is recorded within deferred revenues, net; the results of acquisition accounting; and net operating losses that are more likely than not to be realized and net operating losses that do not meet the more likely than not standard.

10. DEFERRED CEMETERY REVENUES NET / DEFERRED SELLING AND OBTAINING COSTS

In accordance with SAB No. 104, the Company defers the revenues and all direct costs associated with the sale of pre-need cemetery merchandise and services until the merchandise is delivered or the services are performed. The Company also defers the costs to obtain new pre-need cemetery and new prearranged funeral business as well as the investment earnings on the prearranged services and merchandise trusts (see Note 1).

At December 31, 2010 and 2009, deferred cemetery revenues, net, consisted of the following

	As of December 31,	
	2010	2009
	(As Restated)	
	(in thousands)	
Deferred cemetery revenue	\$ 266,754	\$ 222,749
Deferred merchandise trust revenue	30,937	29,487
Deferred merchandise trust unrealized gains (losses)	11,307	(27,278)
Deferred pre-acquisition margin	117,309	66,297
Deferred cost of goods sold	(37,904)	(31,932)
Deferred cemetery revenues, net	\$ 388,403	\$ 259,323
Deferred selling and obtaining costs	\$ 59,422	\$ 49,782

Deferred selling and obtaining costs are carried as an asset on the consolidated balance sheet in accordance with ASC 944-30-55-1.

11. RETIREMENT PLANS AND LONG-TERM INCENTIVE PLANS

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The Company has a 401(k) retirement savings plan for employees who may defer up to 15% of their compensation. The Company does not currently match any of the employee contributions.

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Long Term Incentive Plan

Overview

On November 8, 2006, the General Partner's board of directors adopted the StoneMor Partners L.P. Long-Term Incentive Plan, as amended (*LTIP*) for its employees, consultants and directors, who perform services for the Company. The *LTIP* permits the grant of awards covering an aggregate of 1,124,000 common units in the form of unit options, unit appreciation rights (*UARs*), restricted units and phantom units. The compensation committee of the Company's general partner's board of directors administers the plan. The plan will continue in effect until the earliest of (i) the date determined by the General Partner's board of directors; (ii) the date that common units are no longer available for payment of awards under the plan; or (iii) the tenth anniversary of the plan.

The General Partner's board of directors or compensation committee may, in their discretion, terminate, suspend or discontinue the *LTIP* at any time with respect to any units for which a grant has not yet been made. The General Partner's board of directors also has the right to alter or amend the *LTIP* or any part of the plan from time to time, including increasing the number of units that may be delivered in accordance with awards under the plan, subject to any approvals if required by the exchange upon which the common units are listed at that time. No change in any outstanding grant may be made, however, that would materially impair the rights of the participant without the consent of the participant.

Awards Made Under the LTIP

Unit Awards

On November 8, 2006, the General Partner, acting on behalf of the Company, entered into a Key Employee Restricted Phantom Unit Agreement (the *Key Employee Agreement*) with certain of its employees (*Key Employees*).

Under the terms of the *Key Employee Agreement*, *Key Employees* received Restricted Phantom Units (*Employee Phantom Units*), which in turn were equal to the sum of Time Vested Units (*Time Vested Units*) and Performance Vested Units (*Performance Vested Units*). *Employee Phantom Units* are the economic equivalent of one common unit representing limited partner interests of the Company. *Employee Phantom Units* become payable, in cash or common units, at the Company's election, upon the full vesting of the *Employee Phantom Units*. *Employee Phantom Units* contained no distribution equivalent rights during the vesting period.

Time Vested Units vest at a percentage rate which was equal to the smaller of:

The percentage of total subordinated units which had been converted to common units; or

A fraction, the numerator of which was equal to the number of months that had passed since September 20, 2004 and the denominator of which was 48.

Performance Vested Units vest at a percentage rate which is equal to the percentage of total subordinated units which have been converted to common units.

Except in the event of the Change of Control, when *Employee Phantom Units* vest automatically, *Employee Phantom Units* shall not vest until the Company is able to issue freely tradable common units to the participant in compliance with all applicable securities laws.

A total of 360,500 *Employee Phantom Units* were granted under the *Key Employee Agreement*. 90,125 of these units vested in 2007 and were converted into common units in January of 2008. An additional 90,125 of these units vested in and were converted into common units in 2008. The remaining 180,250 of these units vested in 2009 and were converted into common units in 2010.

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On November 8, 2006, the General Partner, acting on behalf of the Company, entered into a Director Restricted Phantom Unit Agreement (the Director Agreement) with certain of its outside directors (the Directors).

Under the terms of the Director Agreement, each of five directors was awarded 3,000 Restricted Phantom Units (Director Phantom Units). Director Phantom Units become payable, in cash or common units, at the Company's election, upon the separation of the Director from service as a director or upon the occurrence of certain other events specified in the Director Agreement. Each Director Phantom Unit contains a distribution equivalent right which entitles each Director to additional Director Phantom Units upon each distribution made to common unit holders. The calculation of additional Director Phantom Units granted upon each distribution to common unit holders is equal to a Directors total cumulative Director Phantom Units at the time of a distribution multiplied by the per unit monetary distribution divided by the fair value of a common unit at the time of the distribution. There were approximately 51,662, 43,693 and 33,179 Director Phantom Units outstanding at December 31, 2010, 2009 and 2008, respectively.

On December 16, 2009, the General Partner, acting on behalf of the Company, entered into an Executive Restricted Phantom Unit Agreement (the Executive Agreement) with certain of the Company's executives (the Executives).

Under the terms of the Executive Agreement, each Executive was awarded 10,000 Restricted Phantom Units (Executive Phantom Units). Executive Phantom Units become payable, in cash or common units, at the Company's election, upon the separation of the Executive from service as an executive or upon the occurrence of certain other events specified in the Executive Agreement. The exercise of Executive Phantom Units may be subject to approval by the Company's limited partners as required by the NASDAQ listing rules. Each Executive Phantom Unit contains a distribution equivalent right which entitles each Executive to additional Executive Phantom Units upon each distribution made to common unit holders. The calculation of additional Executive Phantom Units granted upon each distribution to common unit holders is equal to an Executives total cumulative Executive Phantom Units at the time of a distribution multiplied by the per unit monetary distribution divided by the fair value of a common unit at the time of the distribution. There were approximately 22,072 and 20,000 Executive Phantom Units outstanding at December 31, 2010 and 2009, respectively.

The table below reflects the LTIP activity for the years ended December 31, 2010, 2009 and 2008, respectively:

	Years ended December 31,		
	2010	2009	2008
	(in thousands)		
Outstanding, beginning of period	63,693	213,430	296,159
Granted (1)	10,041	30,513	7,396
Matured (2)		180,250	90,125
Forfeited			
Outstanding, end of period	73,734	63,693	213,430

(1) The weighted-average price for unit awards on the date of grant was \$22.52, \$17.51 and \$16.53 for the years ended December 31, 2010, 2009 and 2008, respectively.

(2) The 180,250 units that vested in 2009 were converted into common units in 2010. The 90,125 units vested in 2008 were converted into common units in 2008.

As of December 31, 2010, there was no unrecognized compensation cost related to any phantom or restricted unit. Total compensation expense for unit awards was approximately \$0.2 million, \$1.6 million and \$2.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

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There were no modifications made to any existing unit awards in 2010. No unit awards were capitalized during the years ended December 31, 2010, 2009 or 2008.

Unit Equivalent Awards

On November 27, 2006, the General Partner, acting on behalf of the Company, entered into a Key Employee Unit Appreciation Rights Agreement (the 2006 UAR Agreement) with certain of the Company's key employees (the 2006 Key Employees).

Under the terms of the 2006 UAR Agreement, 2006 Key Employees received Unit Appreciation Rights (UARs) wherein 2006 Key Employees became entitled to compensation in the form of units in an amount equal to the fair value of the Company's common units upon exercise less \$24.14 per unit multiplied by the total number of UARs exercised. Units to be issued should be equal to this amount divided by the fair value of common units upon exercise.

UARs granted under the 2006 UAR Agreement were subject to the exact same vesting requirements as Employee Phantom Units granted under the Key Employee Agreement, except for the limitation related to the Company's ability to issue freely tradable common units to the participant in compliance with all applicable securities laws. A total of 120,000 UARs were granted under the 2006 UAR Agreement, all of which had vested at December 31, 2009. As of December 31, 2010, 80,000 of these units remained outstanding.

On December 16, 2009, the General Partner, acting on behalf of the Company, entered into a Key Employee Unit Appreciation Rights Agreement (the 2009 UAR Agreement) with certain of the Company's key employees (the 2009 Key Employees) and non-employee directors.

Under the terms of the 2009 UAR Agreement, 2009 Key Employees and non-employee directors received UARs and became entitled to compensation in the form of units, in an amount equal to the fair value of the Company's common units upon exercise less \$18.80 per unit multiplied by the total number of UARs exercised. Units to be issued should be equal to this amount divided by the fair value of common units upon exercise.

UARs granted under the 2009 UAR Agreement vest at a percentage rate which is equal to a fraction the numerator of which is the number of calendar months which have elapsed since December 16, 2009 and the denominator of which is 48, subject to forfeiture upon certain conditions set forth in the UAR. The exercise of such UARs may be subject to approval by the Company's limited partners as required by the NASDAQ listing rules. A total of 814,000 UARs were granted under the 2009 UAR Agreement and 794,835 of these units remain outstanding at December 31, 2010.

The fair value of UARs granted under both the 2006 UAR Agreement and the 2009 UAR Agreements was estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted-average assumptions:

	2009 UAR Agreement	2006 UAR Agreement
Expected dividend yield	10.70%	7.90%
Risk-free interest rate	2.73%	4.50%
Expected volatility	38.70%	24.20%
Expected life (in years)	6.02	3.53

The fair value of UARs granted under the 2009 UAR Agreements was \$2.39 per UAR and approximately \$1.9 million in aggregate.

The fair value of UARs granted under the 2006 UAR Agreement was \$2.47 per UAR and approximately \$0.3 million in aggregate.

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A summary of UAR activity for the years ended December 31, 2010, 2009 and 2008 follows:

	Years ended December 31,		
	2010	2009	2008
	(in thousands)		
Outstanding, beginning of period	934,000	120,000	120,000
Granted (1)		814,000	
Exercised	(47,602)		
Forfeited	(11,563)		
Outstanding, end of period	874,835	934,000	120,000
Exercisable, end of period	281,366	128,479	60,000

(1) The weighted-average fair value for UARs outstanding at December 31, 2010 was \$2.40.

As of December 31, 2010, there was approximately \$1.4 million of unrecognized compensation cost related to non-vested UARs. Such cost is expected to be recognized over a weighted-average period of 2.96 years. Total compensation expense for UARs was approximately \$0.5 million for the year ended December 31, 2010 and less than \$0.1 million for the years ended December 31, 2009 and 2008, respectively. In 2010, the Company issued 10,936 common units as a result of exercised UARs. There were no units issued in 2009 or 2008.

During the years ended December 31, 2010, 2009 and 2008, the Company:

Made no modifications to any existing UAR awards,

Did not capitalize any UAR awards,

Did not receive any cash due to the exercise of UARs,

Did not recognize any tax benefits due to exercised UARs,

12. COMMITMENTS AND CONTINGENCIES**Legal**

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

Leases

At December 31, 2010, 2009 and 2008, the Company was committed to operating lease payments for premises, automobiles and office equipment under various operating leases with initial terms ranging from one to five years and options to renew at varying terms. Expenses under operating leases were \$2.1 million, \$2.1 million and \$1.9 million for the years ended December 31, 2010, 2009 and 2008 respectively.

At December 31, 2010 operating leases will result in future payments in the following approximate amounts (in thousands):

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	(in thousands)
2011	\$ 1,801
2012	1,599
2013	1,452
2014	915
2015	655
Thereafter	2,516
Total	\$ 8,938

Table of Contents**Employment Agreements**

The Company has employment agreements with four of its senior executives which are annually renewable, unless the Company or the senior executives provide notice ninety days prior to the expiration of the employment period.

Tax Indemnification

CFSI LLC (formerly Cornerstone Family Services, Inc., the Company's predecessor) had agreed to indemnify the Company for all federal, state and local income tax liabilities attributable to the operation of the assets contributed by CFSI LLC to the Company prior to the closing of the public offering in 2004. CFSI LLC had also agreed to indemnify the Company against additional income tax liabilities, if any, that arise from the consummation of the 2004 transactions related to the Company's formation in excess of those believed to result at the time of the 2004 closing of the Company's initial public offering. The Company had estimated that \$0.6 million of state income taxes and no federal income taxes would be due as a result of these formation transactions. CFSI LLC had also agreed to indemnify the Company against the increase in income tax liabilities of the Company's corporate subsidiaries resulting from any reduction or elimination of the Company's net operating losses to the extent those net operating losses are used to offset any income tax gain or income resulting from the prior operation of the assets of CFSI LLC contributed to the Company in 2004, or from the Company's 2004 formation transactions in excess of such gain or income believed to result at the time of the 2004 closing of the initial public offering. Until all of its indemnification obligations under the omnibus agreement had been satisfied in full, CFSI LLC was subject to limitations on its ability to dispose of or encumber its interest in the Company's general partner or the common units held by it (except upon a redemption of common units by the partnership upon any exercise of the underwriters' over-allotment option) and would also be prohibited from incurring any indebtedness or other liability. CFSI LLC's indemnification obligations were discharged on January 24, 2011 confirmed by amendment that date to the omnibus agreement and an accompanying certification of the Company's general partner. To our knowledge, there has been no inquiry from or instigation of proceedings by any taxing authority which could reasonably be expected to require indemnification, which pertains to the taxable year 2004 of CFSI LLC. CFSI LLC is also subject to certain limitations on its ability to transfer its interest in the Company's general partner or the common units held by it if the effect of the proposed transfer would trigger an ownership change under the Internal Revenue Code that would limit the Company's ability to use the Company's federal net operating loss carryovers.

13. ACQUISITIONS AND LONG-TERM OPERATING AGREEMENTS**First Quarter 2010 Acquisition**

On March 30, 2010, StoneMor Operating LLC, a Delaware limited liability company (StoneMor LLC), 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 1st Quarter 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 1st Quarter 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.

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Pursuant to the 1st Quarter 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. The Closing Purchase Price can be increased or decreased post-closing for accounts receivable, merchandise trust amounts and endowment care trust amounts above or below agreed levels, as provided in the Purchase Agreement.

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 1st Quarter Purchase Agreement and Warehouse Purchase Agreement also include various representations, warranties, covenants, indemnification and other provisions which are customary for transactions of this nature.

The table below reflects the Company's assessment of the fair value of net assets acquired, the purchase price and the resulting gain on a bargain purchase price that was made in the first quarter of the year. The Company obtained additional information in the fourth quarter of 2010 and has retrospectively adjusted these preliminary values as noted below.

	As of December 31, 2010		
	Preliminary Assessment	Adjustments (in thousands)	Final Assessment
Assets:			
Cemetery property	\$ 32,338	\$ 1,423	\$ 33,761
Cemetery land	5,360	(5,360)	
Accounts receivable (net)	2,293	358	2,651
Merchandise trusts, restricted, at fair value	46,155	1,872	48,027
Perpetual care trusts, restricted, at fair value	14,572	512	15,084
Property and equipment	325	5,443	5,768
Total assets	101,043	4,248	105,291
Liabilities			
Deferred margin	18,287	12,807	31,094
Merchandise liabilities	22,619	7,507	30,126
Deferred income tax liability, net	8,238	(359)	7,879
Perpetual care trust corpus	14,572	512	15,084
Total liabilities	63,716	20,467	84,183
Fair value of net assets acquired	37,327	(16,219)	21,108
Consideration paid	14,015		14,015
Gain on bargain purchase	\$ 23,312	\$ (16,219)	\$ 7,093

Second Quarter 2010 Acquisition

On April 29, 2010, the Johnson County Circuit Court of Indiana entered the Order Approving Form of Amended and Restated Purchase Agreement and Authorizing Sale of Equity Interests and Assets (the Indiana Order). The Indiana Order, subject to certain conditions, permitted Lynette Gray, as receiver (the Receiver) of the business and assets of Ansure Mortuaries of Indiana, LLC (Ansure), Memory Gardens Management Corporation (MGMC), Forest Lawn Funeral Home Properties, LLC (Forest Lawn), Gardens of Memory Cemetery LLC (Gardens of Memory), Gill Funeral Home, LLC (Gill), Garden View Funeral Home, LLC

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(Garden View), Royal Oak Memorial Gardens of Ohio Ltd. (Royal Oak), Heritage Hills Memory Gardens of Ohio Ltd. (Heritage) and Robert E. Nelms (Nelms) and collectively with Ansure, MGMC, Forest Lawn, Gardens of Memory, Gill, Garden View, Royal Oak and Heritage, the Original Sellers), to enter into and consummate an Amended and Restated Purchase Agreement (the 2nd Quarter Purchase Agreement) with StoneMor Operating LLC, a Delaware limited liability company (StoneMor LLC), StoneMor Indiana LLC, an Indiana limited liability company (StoneMor Indiana), StoneMor Indiana Subsidiary LLC, an Indiana limited liability company (StoneMor Subsidiary) and Ohio Cemetery Holdings, Inc., an Ohio nonprofit corporation (Ohio Nonprofit, and collectively with StoneMor LLC, StoneMor Indiana and StoneMor Subsidiary, the Buyer), each a wholly-owned subsidiary of the Company. Subject to the receipt of the Indiana Order, the Purchase Agreement was executed by the Buyer and the Receiver on April 2, 2010.

Effective June 21, 2010, certain subsidiaries of the Company entered into Amendment No. 1 to the 2nd Quarter Purchase Agreement (Amendment No. 1) by and among the Buyer, the Original Sellers, Robert Nelms, LLC (Nelms LLC, and collectively with the Original Sellers, the Sellers) and the Receiver, which amended the Purchase Agreement executed by the Buyer and the Receiver. Amendment No. 1 amended the 2nd Quarter Purchase Agreement by: adding certain parties to the Purchase Agreement; modifying certain representations and warranties made by the Original Sellers in the 2nd Quarter Purchase Agreement; and providing that the Buyer will assume certain additional liabilities such as the obligation to pay for all claims incurred under the health benefit plans of the Original Sellers on or before the closing of the transactions contemplated by the Purchase Agreement and Amendment No. 1, but which had not been reported on or prior to the closing.

Effective June 21, 2010, pursuant to the 2nd Quarter Purchase Agreement and Amendment No. 1, the Buyer acquired the stock (the Stock) of certain companies owned by Ansure (the Acquired Companies) and certain assets (the Assets) owned by Nelms, Nelms LLC, Gill, Gardens of Memory, Garden View, Forest Lawn, Heritage, Royal Oak and MGMC, resulting in the acquisition of 8 cemeteries and 5 funeral homes in Indiana, Michigan and Ohio (the Acquisition). The Buyer acquired the Stock and Assets, advanced moneys to pay for trust shortfalls of the cemeteries, paid certain liabilities of the Sellers, which were offset by funds held in a Smith Barney Account acquired by the Buyer in the transaction, and paid certain legal fees of the parties to the transaction and other acquisition costs, for a total consideration, including the offset by the funds held in the Smith Barney Account, of approximately \$33.0 million. The Acquisition was financed, in part, by borrowing \$22.5 million from the Company's acquisition facility under the Amended and Restated Credit Agreement dated August 15, 2007 among StoneMor LLC, certain of its subsidiaries, the Company, StoneMor GP LLC, Bank of America, N.A., the other lenders party thereto, and Bank of America Securities LLC, as amended.

Settlement Agreement

In connection with the Acquisition, effective June 21, 2010, StoneMor LLC and StoneMor Indiana (collectively, StoneMor) and the Company entered into a Settlement Agreement (the Settlement Agreement) with Chapel Hill Associates, Inc., d/b/a Chapel Hill Memorial Gardens of Grand Rapids, Chapel Hill Funeral Home, Inc., Covington Memorial Funeral Home, Inc., Covington Memorial Gardens, Inc., Forest Lawn Memorial Chapel Inc., Forest Lawn Memory Gardens Inc., Fred W. Meyer, Jr. by James R. Meyer as Special Administrator to the Estate of Fred W. Meyer, Jr. (the F. Meyer Estate), James R. Meyer (J. Meyer), Thomas E. Meyer (T. Meyer), Nancy J. Cade (Cade, and collectively with the F. Meyer Estate, J. Meyer, and T. Meyer, the Meyer Family) and F.T.J. Meyer Associates, LLC (FTJ).

Pursuant to the Settlement Agreement, StoneMor agreed to assume, pay and discharge a portion of Ansure's and Forest Lawn's obligations under: (i) certain notes issued by Ansure in favor of Fred W. Meyer, Jr., J. Meyer, T. Meyer, and Cade (collectively, the Original Meyer Family); and (ii) a note issued by Forest Lawn to FTJ, which was later assigned to the Original Meyer Family.

StoneMor agreed to assume approximately \$7.1 million of Ansure's and Forest Lawn's obligations under the notes they issued, with the remaining principal, interest and fees due under such notes forgiven by the Meyer

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Family. In connection with the assumption of these obligations, at Closing, StoneMor issued promissory notes to each member of the Meyer Family (the Closing Notes) and additional promissory notes payable in installments to certain members of the Meyer Family (the Installment Notes). The Closing Notes were issued effective June 21, 2010 in the aggregate principal amount of approximately \$5.8 million, were unsecured subordinated obligations of StoneMor, bore no interest and were payable on demand at the Closing. The Closing Notes were paid at closing by: (i) the issuance by the Company of 293,947 unregistered common units representing limited partnership interests of the Company (the Units) valued at approximately \$5.6 million pursuant to the terms of the Settlement Agreement; and (ii) a cash payment of approximately \$0.2 million.

The Installment Notes were issued effective June 21, 2010 and mature April 1, 2014. The Installment Notes are to be paid over a 4 year period and do not have a stated rate of interest. The Company has recorded the Installment Notes at their fair market value of approximately \$2.6 million. The face amounts of the Installment Notes were discounted approximately \$0.7 million, and the discount will be amortized to interest expense over the life of the Installment Notes. The Installment Notes bear 10.25% interest per annum on the portion of the outstanding balance after the maturity date or while there exists any uncured event of default or the exercise by the Company of any remedies following the occurrence and during the continuance of any event of default. In addition, if StoneMor voluntarily files for bankruptcy or is involved in an involuntary bankruptcy proceeding, the entire principal balance of the Installment Notes will automatically become due and payable.

J. Meyer, T. Meyer and Cade each entered into an Amended and Restated Agreement-Not-To-Compete with StoneMor, which amended the non-compete agreements each previously entered into with Ansure. In consideration for entering into an Amended and Restated Agreement-Not-To-Compete, StoneMor agreed to pay an aggregate of approximately \$2.3 million to J. Meyer, T. Meyer, and Cade, with approximately \$0.3 million paid at Closing, and the remainder to be paid in installments over 4 years.

The Settlement Agreement also provides that, if the annual distributions paid by the Company to its unitholders are less than \$2.20, StoneMor will pay additional cash consideration to the Meyer Family annually for four years pursuant to a formula contained in the Settlement Agreement. StoneMor may also pay up to approximately \$2.4 million to the Meyer Family from the proceeds of the Misappropriation Claims, subject to certain minimum thresholds before payments are required.

In addition, StoneMor provided an assignment from the Receiver to the Meyer Family of the Eminent Domain Claim, as defined in the Settlement Agreement, and the proceeds thereto, at closing. The Meyer Family agreed to assign its rights under the Fraud Claims, as defined in the Settlement Agreement, to StoneMor.

All obligations of StoneMor, the Company, and the Acquired Companies under the Settlement Agreement and other transaction documents are subordinate and junior to the obligations of StoneMor, the Company, and the Acquired Companies under any Senior Debt, as defined in the Settlement Agreement.

The Settlement Agreement also includes various representations, warranties, covenants, mutual releases, indemnification and other provisions, which are customary for a transaction of this nature.

Unregistered Sale of Securities

In connection with the Acquisition, StoneMor GP LLC, the general partner of the Company (StoneMor GP), entered into a Non-Competition Agreement (Non-Competition Agreement) dated as of June 21, 2010 with Ronald P. Robertson, pursuant to which Mr. Robertson agreed not to compete with StoneMor GP and the companies under its management and control. In consideration for Mr. Robertson's covenant not to compete and as a partial payment of the Closing Notes to the Meyer Family pursuant to the Settlement Agreement, effective June 21, 2010, the Company issued 303,800 Units.

Pursuant to the Non-Competition Agreement, the Company is obligated to issue additional Units valued at \$0.5 million over the next three years as follows: units valued at \$0.2 million calculated by dividing \$0.2 million

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by the per unit price on the Nasdaq Stock Market LLC on the close of the third business day prior to the closing on each of the first anniversary and second anniversary of the closing of the Acquisition, and units valued at \$0.1 million calculated by dividing \$0.1 million by the per unit price on the Nasdaq Stock Market LLC on the close of the third business day prior to the closing on the third anniversary of the closing of the Acquisition, subject to adjustments as a result of any common unit split, combination or similar events occurring after the closing.

The table below reflects the Company's assessment of the fair value of net assets received, the purchase price and the resulting goodwill from the purchase. The Company obtained additional information in the fourth quarter of 2010 and has retrospectively adjusted these preliminary values as noted below. The Company may make further retrospective adjustments to this provisional assessment if additional information were to become available.

	Preliminary Assessment	As of December 31, 2010	
		Adjustments (in thousands)	Revised Assessment
Assets:			
Cemetery property	\$ 23,188	\$ (1,502)	\$ 21,686
Property and equipment	27,842	(18,803)	9,039
Accounts receivable (net)	2,191	(53)	2,138
Merchandise trusts, restricted, at fair value	5,866	11,276	17,142
Perpetual care trusts, restricted, at fair value	1,663	1,686	3,349
Other assets	4,225	144	4,369
Total assets	64,975	(7,252)	57,723
Liabilities			
Deferred margin	12,070	3,869	15,939
Merchandise liabilities	14,929	614	15,543
Deferred income tax liability, net	16,130	(6,704)	9,426
Perpetual care trust corpus	1,663	1,686	3,349
Total liabilities	44,792	(535)	44,257
Fair value of net assets acquired	20,183	(6,717)	13,466
Paid at closing - purchase price	10,417		10,417
Paid at closing - units	5,785		5,785
Paid at closing - liabilities incurred	\$ 3,981	\$ (333)	\$ 3,648
Goodwill from purchase	\$	\$	\$ 18,914
Total purchase price	20,183	(333)	19,850
Paid at closing - trust underfunding	12,530		12,530
Total paid at closing	32,713	(333)	32,380

Third Quarter 2010 Acquisition and Long-Term Operating Agreement

During the third quarter of 2010, certain subsidiaries of the Company entered into a long-term operating agreement (the "Operating Agreement") with the Archdiocese of Detroit (the "Archdiocese") wherein the Company will become the exclusive operator of certain cemeteries owned by the Archdiocese.

Key terms and conditions of the operating agreement include, but are not limited to, the following:

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1. There was no consideration paid by either party to effect the execution of the Operating Agreement.
2. The Archdiocese will pay the Company a management fee in the amounts of \$0.5 million, \$0.4 million and \$0.3 million during the first three years of the agreement. This fee is in addition to any revenues

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the Company will earn from operating the property. No monies will be transferred during Year 4. The Company will pay the Archdiocese a fee in an amount equal to 5% of revenues beginning in Year 5. Total amounts paid are capped at \$0.3 million, \$0.4 million and \$0.5 million during years five through seven consecutively.

3. The operating agreement is for a term of 40 years (subject to certain termination rights).
4. The Company shall acquire the exclusive rights to all of the property and assets of each cemetery, including but not limited to, the use of all land for interment purposes; the sum of accounts receivable and merchandise trust funds in force for existing pre-need contracts.

The Company has concluded that this Operating Agreement does not qualify as a variable interest entity because the Company does not control the entity. However, the existing merchandise trust, which had a fair value of approximately \$3.5 million as of the contract date, has been consolidated as a variable interest entity as the Company controls and directly benefits from the operations of the merchandise trust. Other liabilities assumed by the Company have also been recorded as of the contract date. As no consideration was paid in this transaction, the Company has recorded a deferred gain of approximately \$3.1 million which represent the excess of the value of the merchandise trust over the liabilities assumed. This amount will be amortized as the Company recognizes the benefits of ownership associated with the merchandise trust.

The table below reflects the amounts recorded on the contract date either through consolidation as a VIE or the assumption of a liability, resulting in a deferred gain. As discussed in Note 18, these amounts are different than what was preliminarily reported for this transaction in the third quarter of 2010.

	As of December 31, 2010 Revised Assessment (in thousands)
Assets:	
Merchandise trusts, restricted, at fair value	3,493
Liabilities	
Deferred margin	208
Merchandise liabilities	192
Net assets recorded	3,093
Consideration paid	
Deferred gain	\$ 3,093

Also during the third quarter of 2010, the Company purchased a single cemetery for \$1.5 million, which included the payoff of an existing mortgage of \$0.3 million. At September 30, 2010, the Company had made a provisional assessment of the fair value of net assets acquired for this transaction. The Company obtained additional information in the fourth quarter of 2010 and has retrospectively adjusted these preliminary values as noted below. The Company may make further retrospective adjustments to this provisional assessment if additional information were to become available.

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The table below details the provisional assessment of net assets acquired and the resultant gain on a bargain purchase recorded during the third quarter of 2010:

	Preliminary Assessment	As of December 31, 2010	Revised Assessment
		Adjustments (in thousands)	
Assets:			
Accounts receivable (net)	\$ 1,003	\$	\$ 1,003
Cemetery property	1,020	1,811	2,831
Property and equipment		607	607
Merchandise trusts, restricted, at fair value	3,080		3,080
Perpetual care trusts, restricted, at fair value	1,089		1,089
Intangible assets		340	340
Total assets	6,192	2,758	8,950
Liabilities			
Deferred margin	1,369	1,168	2,537
Other Liabilities		318	318
Merchandise liabilities	1,693	649	2,342
Deferred tax liabilities	272	832	1,104
Perpetual care trust corpus	1,089		1,089
Total liabilities	4,423	2,967	7,390
Fair value of net assets acquired	1,769	(209)	1,560
Consideration paid	1,500		1,500
Gain on bargain purchase	\$ 269	\$ (209)	\$ 60

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

Fourth Quarter 2010 Acquisition

On October 12, 2010, StoneMor LLC, Stonemor Kansas LLC, a Kansas limited liability company and Stonemor Kansas Subsidiary LLC, a Kansas limited liability company, each a wholly-owned subsidiary of the Company, entered into an Asset Purchase and Sale Agreement (the "4th Quarter Purchase Agreement") with Fairlawn Burial Park Association and Heritage II Inc., collectively the Sellers, and Edward J. Nazar as the Receiver.

Pursuant to the 4th Quarter Purchase Agreement, Buyer acquired the assets of one cemetery and one funeral home in Kansas, purchased out of receivership. In consideration for the transfer, the Company paid approximately \$0.7 million in cash, and posted a bond of approximately \$0.3 million to fund permanent maintenance trust shortfalls and incurred approximately \$0.6 million of liabilities in connection with this acquisition.

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The table below reflects the Company's preliminary assessment of the fair value of net assets received and the allocation of the purchase price and the resulting goodwill. These amounts will be retrospectively adjusted as additional information is received.

	As of December 31, 2010 (in thousands)
Assets:	
Accounts receivable (net)	\$ 198
Cemetery property	986
Merchandise trusts, restricted, at fair value	535
Perpetual care trusts, restricted, at fair value	412
Property and equipment	520
Total assets	2,651
Liabilities	
Deferred margin	1,010
Merchandise liabilities	932
Deferred tax liabilities	89
Perpetual care trust corpus	412
Total liabilities	2,443
Fair value of net assets acquired	208
Consideration paid	665
Goodwill from purchase	\$ 457

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

The following unaudited pro forma information presents a summary of the results of operations of the Company as if the cemeteries acquired in the first and second quarters of 2010, which are expected to have a meaningful impact on the Company's operations, were acquired on January 1, 2009:

	As of December 31, 2010 2009 (unaudited)	
	(in thousands)	
Revenues	204,772	199,223
Net income (loss)	7,761	(2,761)
Net income (loss) per limited partner unit - basic	0.54	(0.22)
Net income (loss) per limited partner unit - diluted	0.53	(0.22)

The unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments such as decreased cost of goods sold related to the step-down in the basis of the cemetery property acquired and increased interest on the acquisition debt. They do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect on January 1, 2009 or of future results of operations of the locations. The results of operations of the acquired properties are included in the consolidated financial statements since the date of acquisition. Revenues and net income included in operations since the dates of acquisition are \$11.1 million and \$1.1 million respectively, for the year ended December 31, 2010.

2nd Quarter 2009 Long-Term Operating Agreements

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In the second quarter of 2009, the Company, through certain of its subsidiaries, entered into two long-term operating agreements wherein the Company has become the exclusive operator of the underlying cemetery land.

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These operating agreements do not qualify as variable interest entities because the Company does not control the entities. However, the existing merchandise and perpetual care trusts, which had a fair value of approximately \$1.4 million and \$3.4 million, respectively, have been consolidated as a variable interest entity as the Company controls and directly benefits from the operations of the trusts. Other liabilities assumed by the Company and debt incurred related to this transaction have also been recorded as of the contract date. The cash paid and debt incurred related to these transactions exceeded the net assets recorded as of the contract date. This amount of approximately \$4.8 million, recorded within other assets on the consolidated balance sheet, will be amortized over the expected life of the contract, which is 40 years.

The table below reflects the amounts recorded on the contract date either through consolidation as a VIE or the assumption of a liability. As discussed in Note 18, these amounts have been restated.

	As of 12/31/2009 (in thousands)
Assets	
Merchandise trusts, restricted, at fair value	\$ 1,385
Perpetual care trusts, restricted, at fair value	3,428
Liabilities	
Merchandise liabilities	1,635
Deferred margin	1,322
Other liabilities	46
Perpetual care trust corpus	3,428
Net assets recorded	(1,618)
Consideration paid	3,220
Other Assets	\$ 4,838

3rd Quarter 2009 Long-Term Operating Agreement

In the third quarter of 2009, the Company, through certain of its subsidiaries, entered into a single long-term operating agreement wherein the Company has become the exclusive operator of the underlying cemetery land.

The nature of the agreement and the accounting treatment utilized by the Company is essentially identical in nature as the 2nd Quarter 2009 long-term operating agreements described above.

The cash paid and debt incurred related to these transactions exceeded the net assets recorded as of the contract date. This amount of approximately \$3.6 million, recorded within other assets on the consolidated balance sheet, will be amortized over the expected life of the contract, which is 40 years.

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The table below reflects the amounts recorded on the contract date either through consolidation as a VIE or the assumption of a liability. As discussed in Note 18, these amounts have been restated.

	As of 12/31/2009 (in thousands)
Assets	
Merchandise trusts, restricted, at fair value	\$ 321
Perpetual care trusts, restricted, at fair value	2,911
Liabilities	
Merchandise liabilities	231
Deferred margin	186
Perpetual care trust corpus	2,911
Net assets recorded	(96)
Consideration paid	
cash	1,400
note issued	1,400
other liability assumed	750
Total consideration paid	3,550
Other assets	\$ 3,646

The results of operations related to our 2009 acquisitions are not material to the financial statements taken as a whole.

2008

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

The Company paid \$0.6 million in cash and \$0.5 million in common units representing limited partner interests to the sellers for the 2008 First Quarter Acquisition. Including the acquisition transaction costs, the transaction was valued at \$1.2 million for accounting purposes.

The Company paid approximately \$0.8 million in cash to the sellers for the 2008 Third Quarter Acquisition. Including the acquisition transaction costs, the transaction was valued at \$1.4 million for accounting purposes.

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

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.

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

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

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

Segment information is as follows:

As of and for the year ended December 31, 2010

	Cemeteries			Funeral Homes	Corporate	Adjustment	Total
	Southeast	Northeast	West	(in thousands)			
Revenues							
Sales	\$ 76,419	\$ 34,314	\$ 37,079	\$	\$ 10	\$ (40,043)	\$ 107,779
Service and other	28,157	22,430	23,445			(10,065)	63,967
Funeral home				25,546			25,546
Total revenues	104,576	56,744	60,524	25,546	10	(50,108)	197,292
Costs and expenses							
Cost of sales	15,477	8,455	5,927		6	(6,336)	23,529
Cemetery	20,518	13,490	14,776				48,784
Selling	24,486	11,176	11,142		596	(9,155)	38,245
General and administrative	11,835	6,108	6,631		17		24,591
Corporate overhead					24,379		24,379
Depreciation and amortization	1,448	782	1,157	1,654	3,804		8,845
Funeral home				19,937			19,937
Acquisition related costs					5,715		5,715
Total costs and expenses	73,764	40,011	39,633	21,591	34,517	(15,491)	194,025
Operating profit	30,812	16,733	20,891	3,955	(34,507)	(34,617)	3,267
Gain on acquisitions					7,153		7,153
Increase in fair value of interest rate swap					4,724		4,724
Interest expense	9,307	3,814	5,681	3,148	23		21,973
Income (loss) before income taxes	\$ 21,505	\$ 12,919	\$ 15,210	\$ 807	\$ (22,653)	\$ (34,617)	\$ (6,829)
Total assets	\$ 415,588	\$ 285,412	\$ 357,123	\$ 63,515	\$ 25,481	\$	\$ 1,147,119
Amortization of cemetery property	\$ 3,036	\$ 3,398	\$ 714	\$	\$	\$ (235)	\$ 6,913
Long lived asset additions	\$ 3,070	\$ 3,507	\$ 44,880	\$ 8,418	\$ 325	\$	\$ 60,200
Goodwill	\$	\$	\$	\$ 19,851	\$	\$	\$ 19,851

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As of and for the year ended December 31, 2009

	Southwest	Cemeteries Northeast	West	Funeral Homes (As Restated) (in thousands)	Corporate	Adjustment	Total
Revenues							
Sales	\$ 71,756	\$ 33,743	\$ 27,094	\$	\$ 15	\$ (19,933)	\$ 112,675
Service and other	27,976	20,450	12,863			(16,126)	45,163
Funeral home				23,365			23,365
Total revenues	99,732	54,193	39,957	23,365	15	(36,059)	181,203
Costs and expenses							
Cost of sales	15,410	7,207	4,422		4	(5,249)	21,794
Cemetery	18,555	12,842	9,834		15		41,246
Selling	22,368	10,595	7,834		855	(7,529)	34,123
General and administrative	11,453	6,127	4,884		34		22,498
Corporate overhead					22,370		22,370
Depreciation and amortization	1,531	840	448	1,101	2,608		6,528
Funeral home				19,006			19,006
Acquisition related costs					1,072		1,072
Total costs and expenses	69,317	37,611	27,422	20,107	26,958	(12,778)	168,637
Operating profit	30,415	16,582	12,535	3,258	(26,943)	(23,281)	12,566
Gain on sale of funeral home					434		434
Gain on acquisitions							
Decrease in fair value of interest rate swap					(2,681)		(2,681)
Expenses related to refinancing					2,242		2,242
Interest expense	6,516	2,649	3,082	2,123	40		14,410
Income (loss) before income taxes	\$ 23,899	\$ 13,933	\$ 9,453	\$ 1,135	\$ (31,472)	\$ (23,281)	\$ (6,333)
Total assets	\$ 371,155	\$ 252,522	\$ 162,664	\$ 35,436	\$ 33,524	\$	\$ 855,301
Amortization of cemetery property	\$ 3,091	\$ 2,332	\$ 615	\$	\$	\$ (237)	\$ 5,747
Long lived asset additions	\$ 5,685	\$ 912	\$ 695	\$ 627	\$ 4,448	\$	\$ 12,367
Goodwill	\$	\$	\$	\$ 480	\$	\$	\$ 480

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As of and for the year ended December 31, 2008

	Southeast	Cemeteries Northeast	West	Funeral Homes (in thousands)	Corporate	Adjustment	Total
Revenues							
Sales	\$ 63,759	\$ 32,950	\$ 27,795	\$	\$ 5	\$ (22,990)	\$ 101,519
Service and other	24,879	21,240	14,577			(2,730)	57,966
Funeral home				23,963			23,963
Total revenues	88,638	54,190	42,372	23,963	5	(25,720)	183,448
Costs and expenses							
Cost of sales	14,032	8,038	4,616		1	(3,805)	22,882
Cemetery	17,805	13,542	10,257		47		41,651
Selling	20,270	10,665	8,191		1,253	(5,573)	34,806
General and administrative	10,419	6,096	4,767		90		21,372
Corporate overhead					21,293		21,293
Depreciation and amortization	1,492	940	378	838	1,381		5,029
Funeral home				19,065			19,065
Total costs and expenses	64,018	39,281	28,209	19,903	24,065	(9,378)	166,098
Operating profit	24,620	14,909	14,163	4,060	(24,060)	(16,342)	17,350
Interest expense	5,163	2,657	2,696	2,198			12,714
Income (loss) before income taxes	\$ 19,457	\$ 12,252	\$ 11,467	\$ 1,862	\$ (24,060)	\$ (16,342)	\$ 4,636
Total assets	\$ 322,365	\$ 228,447	\$ 138,956	\$ 35,816	\$ 12,656	\$	\$ 738,240
Amortization of cemetery property	\$ 2,966	\$ 2,474	\$ 493	\$	\$	\$ 435	\$ 6,368
Long lived asset additions	\$ 18,930	\$ 1,024	\$ 1,431	\$ 1,236	\$ 1,580	\$	\$ 24,201

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 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 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 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.

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ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10 establishes a fair value hierarchy that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy defined by ASC 820-10 are described below.

- Level 1: Quoted market prices available in active markets for identical assets or liabilities. The Company includes cash and cash equivalents, U.S. Government debt securities and publicly traded equity instruments in its level 1 investments.
- Level 2: Quoted prices in active markets for similar assets; quoted prices in non-active markets for identical or similar assets; inputs other than quoted prices that are observable. The Company includes U.S. state and municipal, corporate and other fixed income debt securities in its level 2 investments.
- Level 3: Any and all pricing inputs that are generally unobservable and not corroborated by market data.
- The following table allocates the Company's assets and liabilities measured at fair value as of December 31, 2010 and 2009.

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

Table of Contents**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

As of December 31, 2009:

Merchandise Trust

Description	Level 1	Level 2 (in thousands)	Total
Assets			
Short-term investments	\$ 47,451	\$	\$ 47,451
Fixed maturities:			
U.S. government and federal agency			
U.S. state and local government agency		23	23
Corporate debt securities		3,246	3,246
Other debt securities		4,985	4,985
Total fixed maturity investments		8,254	8,254
Mutual funds debt securities	31,154	7,559	38,713
Mutual funds equity securities	70,438		70,438
Equity securities	31,763		31,763
Other invested assets		7,210	7,210
Total	\$ 180,806	\$ 23,023	\$ 203,829

Table of Contents**Perpetual Care Trust**

Description	Level 1	Level 2 (in thousands)	Total
Assets			
Short-term investments	\$ 46,615	\$	\$ 46,615
Fixed maturities:			
U.S. government and federal agency	4,765		4,765
U.S. state and local government agency		1,437	1,437
Corporate debt securities		13,892	13,892
Other debt securities		4,830	4,830
Total fixed maturity investments	4,765	20,159	24,924
Mutual funds debt securities	19,352	16,884	36,236
Mutual funds equity securities	52,557		52,557
Equity securities	35,413		35,413
Other invested assets		531	531
Total	\$ 158,702	\$ 37,574	\$ 196,276

Interest Rate Liability \$ \$ 2,681 \$ 2,681

All level 2 assets are priced utilizing independent pricing services. The interest rate swap price was provided to the Company by an independent third party source and tested by the Company via an analysis of current swap pricing to the contracted swap pricing.

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following summarizes certain quarterly results of operations:

2010	March 31	Three months ended		December 31
		June 30	September 30 (as restated)	
Revenues	\$ 40,670	\$ 48,737	\$ 52,130	\$ 55,755
Net income (loss)	5,895	(1,460)	(1,900)	(3,981)
General partners' interest in net income (loss) for the period	118	(29)	(38)	(80)
Limited partners' interest in net income (loss) for the period	5,777	(1,431)	(1,862)	(3,901)
Net income (loss) per common unit				
Basic	\$ 0.43	\$ (0.11)	\$ (0.13)	\$ (0.25)
Diluted	\$ 0.43	\$ (0.11)	\$ (0.13)	\$ (0.25)

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2009	March 31	Three months ended		December 31
		June 30 (as restated)	September 30 (as restated)	
Revenues	\$ 42,598	\$ 47,802	\$ 46,587	\$ 44,216
Net income (loss)	(865)	2,302	1,949	(7,774)
General partners' interest in net income (loss) for the period	(17)	46	39	(155)
Limited partners' interest in net income (loss) for the period				
Common	(697)	1,861	1,576	(6,362)
Subordinated	(151)	395	334	(1,257)
Net income (loss) per common unit				
Basic	\$ (0.07)	\$ 0.19	\$ 0.16	\$ (0.61)
Diluted	\$ (0.07)	\$ 0.19	\$ 0.16	\$ (0.61)

As described in Note 18, the Company has restated its 2009 financial statements to deconsolidate certain cemeteries it operates under long-term operating agreements that had been consolidated using the purchase method of accounting. The Company also consolidated three cemeteries it began operating in the third quarter of 2010 that should not have been consolidated using purchase accounting.

The following presents the effects of the restatement on the unaudited summary quarterly results of operations:

	September 30, 2010		Three Months Ended September 30, 2009		June 30, 2009	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
	Balance Sheet Amounts					
Long-term accounts receivable net of allowance	\$ 56,667	\$ 57,116	\$ 45,177	\$ 44,956	\$ 47,553	\$ 47,283
Cemetery property	304,386	284,449	239,827	228,067	236,549	227,844
Property and equipment, net of accumulated depreciation	82,577	63,537	48,965	47,865	49,147	48,518
Other assets	5,809	14,373	1,646	10,525	787	6,277
Total assets	1,128,072	1,120,385	836,805	832,603	798,490	794,376
Deferred cemetery revenues, net	343,855	365,684	243,216	243,389	222,296	222,298
Deferred tax liabilities	30,552	20,327	8,281	8,050	8,126	7,928
Merchandise liability	105,387	114,396	76,868	76,876	76,463	76,465
Total liabilities	959,808	979,111	730,318	730,268	687,370	687,176
General partner capital	3,000	2,189	1,781	1,698	1,951	1,872
General partner incentive distribution rights	5,979					
Common partner capital	159,286	139,086	100,853	97,523	104,520	101,370
Subordinated partner capital			3,853	3,114	4,649	3,958
Total partners' capital	\$ 168,264	\$ 141,275	\$ 106,487	\$ 102,335	\$ 111,120	\$ 107,200

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	September 30, 2010		Three Months Ended September 30, 2009		June 30, 2009	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
	Consolidated Statement of Operations					
Cost of goods sold merchandise	\$ 5,150	\$ 5,098	\$ 4,486	\$ 4,460	\$ 4,736	\$ 4,725
Depreciation and amortization	2,261	2,466	1,700	1,761	1,708	1,725
Acquisition related costs	2,167	1,963	(29)	(580)	542	(127)
Operating profit	656	716	4,214	4,730	4,744	5,407
Gain on acquisitions	6,656	60	751		4,583	
Income tax benefit	(1,829)	(1,829)	(1,117)	(1,117)	(97)	(97)
Net income (loss)	4,645	(1,900)	2,184	1,949	6,222	2,302
General partner's interest in net income (loss) for the period	93	(38)	44	39	124	46
Limited partners' interest in net income (loss) for the period common	4,552	(1,862)	1,855	1,576	5,011	1,861
Limited partners' interest in net income (loss) for the period subordinated			285	334	1,087	395
Net income (loss) per limited partner unit basic and diluted	\$.33	\$ (.13)	\$.18	\$.16	\$.42	\$.19

Consolidated Statement of Cash Flows

	September 30, 2010		Nine Months Ended September 30, 2009		Six Months Ended June 30, 2009	
	Net cash provided by operating activities	\$ 9,433	\$ 9,757	\$ 14,723	\$ 15,943	\$ 8,104
Net cash used in investing activities	\$ (44,464)	\$ (44,788)	\$ (8,918)	\$ (10,138)	\$ (5,533)	\$ (6,202)

17. SUBSEQUENT EVENTS

In January of 2011, we purchased three cemeteries in North Carolina for approximately \$1.7 million and incurred approximately \$0.5 million of liabilities.

On January 28, 2011, and in consideration of our February 9, 2011 follow on public offering of common units, the Company entered into the Eighth Amendment to its Amended and Restated Credit Agreement. The Eighth Amendment to Credit Agreement included the Lenders' consent to the use of a portion of the proceeds from the public offering of common units to redeem in full outstanding 12.5% Series B and Series C senior secured notes due August 2012 and to pay an aggregate make-whole premium of \$3.8 million related thereto. Pursuant to the Eighth Amendment to 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 shall continue using the same Consolidated Leverage Ratio of 3.65 to 1.0 as is currently in effect for Measurement Periods ending after December 31, 2010 and will not be permitted to have Maintenance Capital Expenditures for any Measurement Period ending in 2011, 2012 and 2013 exceeding \$4.6 million, \$5.2 million and \$5.8 million, respectively.

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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.

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 \$106.0 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.

18. RESTATEMENT OF DECEMBER 31, 2009 CONSOLIDATED FINANCIAL STATEMENTS

During the second and third quarters of 2009, the Company became the exclusive operator of three cemeteries under long-term operating agreements. The Company had previously concluded that through these operating agreements it had obtained control over variable interest entities and accordingly, the Company applied purchase accounting to record its interest in these variable interest entities. It was subsequently determined that these cemeteries did not qualify as variable interest entities. The Company also determined that it did not obtain control either under the voting interest model or by contract. As a result, the Company concluded that the cemeteries should not have been consolidated and purchase accounting rules should not have been applied. The 2009 consolidated financial statements have been restated to deconsolidate these cemeteries and remove a bargain purchase gain of approximately \$5.4 million that was recognized upon execution of the agreements.

The Company also consolidated three cemeteries that it began operating under a long-term operating agreement during the third quarter of 2010. It was also determined that these cemeteries did not meet the requirements for consolidation for the reasons noted above.

Further, as part of these agreements, the Company has assumed certain liabilities and has assumed control of the underlying merchandise and perpetual care trusts related to these cemeteries. These trusts were previously and continue to be properly consolidated as variable interest entities. See Note 13 for a more detailed discussion of the net assets that have been recognized as a result of these transactions. See Note 16 for details on the impact this had on our quarterly results.

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The following is a summary of the impact of the restatement on the consolidated financial statements as of and for the year ended December 31, 2009:

Balance Sheet Amounts	As Previously Reported	Adjustment	As Restated
Long-term accounts receivable net of allowance	\$ 48,015	\$ (221)	\$ 47,794
Accounts receivable	37,113	160	37,273
Cemetery property	239,777	(11,729)	228,048
Property and equipment, net of accumulated depreciation	48,736	(1,100)	47,636
Total assets	859,375	(4,074)	855,301
Deferred cemetery revenues, net	258,978	345	259,323
Deferred tax liabilities	4,907	(231)	4,676
Merchandise liability	65,883	11	65,894
Total liabilities	743,239	125	743,364
General partner capital	1,920	(81)	1,839
Common partner capital	114,216	(4,118)	110,098
Total partners capital	\$ 116,136	\$ (4,199)	\$ 111,937
Consolidated Statement of Operations	As Previously Reported	Adjustment	As Restated
Cost of goods sold merchandise	\$ 17,120	\$ (53)	\$ 17,067
Depreciation and amortization	6,390	138	6,528
Acquisition related costs	2,292	(1,220)	1,072
Operating profit	11,431	1,135	12,566
Gain on acquisitions	5,419	(5,419)	
Income tax benefit federal	(2,668)	(85)	(2,753)
Net income (loss)	(188)	(4,200)	(4,388)
General partner's interest in net income (loss) for the period	(4)	(83)	(87)
Limited partners' interest in net income (loss) for the period	(184)	(4,117)	(4,301)
Net income (loss) per limited partner unit basic	(.02)	(.34)	(.36)
Net income (loss) per limited partner unit diluted	\$ (.02)	\$ (.34)	\$ (.36)
Consolidated Statement of Cash Flows	As Previously Reported	Adjustment	As Restated
Net cash provided by operating activities	\$ 13,498	\$ 1,231	\$ 14,729
Net cash used in investing activities	\$ (10,949)	\$ (1,231)	\$ (12,180)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

**Item 9A. Controls and Procedures
Background**

As previously reported in our Current Report on Form 8-K filed on March 29, 2011, on March 25, 2011, the Audit Committee of the Board of Directors of our General Partner (the "Audit Committee") concluded that our 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 should be restated to deconsolidate certain long-term cemetery operating agreements that we had previously consolidated as variable interest entities and to remove a non-cash bargain purchase gain, previously recognized through the application of purchase accounting to those

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operating agreements resulting in the recognition of a non-cash extraordinary gain. See Explanatory Note, Part II Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operation and Note 18 to Consolidated Financial Statements included in Part II Item 8 Financial Statements and Supplementary Data of this Form 10-K of this Form 10K.

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 Securities and Exchange Commission's (SEC) rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of 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 not 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 due to the material weakness in our internal control over financial reporting as described below.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria described in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2010 due to the material weakness described below.

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. 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

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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.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which appears herein.

Plan for Remediation

To remediate the aforementioned material weakness, we implemented a series of controls designed to help ensure that all new accounting pronouncements 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. During the third quarter of 2010, we began executing our remediation plan. An analysis of all new accounting guidance issued during the third and fourth quarter 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.

The genesis of this material weakness was prior to the company's implementation of this plan of remediation. The Company's management believes that it is in the process of remediating this material weakness and that the continued execution of the procedure will serve to remediate the material weakness in the future.

Changes in Internal Control over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of StoneMor Partners L.P. and subsidiaries (the Company) as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a 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. The following material weakness has been identified and included in management's assessment: The Company 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 the Company's cemetery operating agreements. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2010, of the Company and this report does not affect our report on such financial statements.

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In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated March 29, 2011 expressed an unqualified opinion on those financial statements and included an explanatory paragraph as discussed in Note 18 to the financial statements that the accompanying 2009 financial statements have been restated to correct a misstatement.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

March 29, 2011

Item 9B. Other Information

On March 29, 2011, the Nominating, Compensation and Corporate Governance Committee of the Board of Directors of our general partner approved the following: (i) annual cash incentive awards for performance in 2010 based on exceeding a pre-determined level of earnings before interest, taxes, depreciation and amortization in 2010; and (ii) increases in annual base salaries for 2011 based on merit. The following table sets forth below the approved annual cash incentive awards and 2011 salaries for our named executive officers.

Name and Principal Position	2010 Annual Cash Incentive Award	2011 Salary
Lawrence Miller, Chief Executive Officer and President	\$ 291,704	\$ 500,000
William R. Shane, Executive Vice President and Chief Financial Officer	\$ 291,704	\$ 440,000
Michael L. Stache, Senior Vice President and Chief Operating Officer	\$ 152,479	\$ 315,000
Robert Stache, Senior Vice President - Sales	\$ 152,479	\$ 315,000
Paul Waimberg, Vice President - Finance and Corporate Development	\$ 43,063	\$ 187,000

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Partnership Structure and Management**

StoneMor GP LLC, as our general partner, manages our operations and activities. Unitholders are not entitled to participate, directly or indirectly, in our management or operations.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business. Unitholders do not have the right to elect our general partner or its directors on an annual or other continuing basis. Our general partner may not be removed except by the vote of the holders of at least 66 ²/₃% of the outstanding common units, including units owned by our general partner and its affiliates. Because of their controlling ownership interest in our general partner, the MDC IV Liquidating Trusts, are able to control the election of a majority of the directors of our general partner.

Directors and Executive Officers of StoneMor GP LLC

The following table shows information regarding the directors and executive officers of our general partner. Directors are elected for one-year terms or until his successor is duly elected and qualified. Pursuant to their respective employment agreements, Messrs. Miller, Shane, M. Stache and R. Stache serve as executive officers of our general partner for a one-year term, which is automatically extended for successive one-year terms unless either party gives written notice of non-renewal 90 days prior to the end of the term.

Name	Age	Positions with StoneMor GP LLC
Lawrence Miller (1)	62	Chief Executive Officer, President and Chairman of the Board
William R. Shane (1)	64	Executive Vice President, Chief Financial Officer and Director
Michael L. Stache	59	Senior Vice President and Chief Operating Officer
Robert Stache	62	Senior Vice President Sales
Paul Waimberg	53	Vice President Finance and Corporate Development
Timothy K. Yost	44	Vice President Financial Reporting and Investor Relations
Allen R. Freedman	70	Director
Peter K. Grunebaum	77	Director
Robert B. Hellman, Jr.	51	Director
Martin R. Lautman, Ph.D.	64	Director
Fenton R. Talbott	69	Director
Howard L. Carver	66	Director

- (1) The Amended and Restated Limited Liability Company Agreement of our general partner, as amended, or the GP LLC Agreement, specifies that, so long as Mr. Miller serves as Chief Executive Officer of our general partner, he shall also serve as a director of our general partner and, so long as Mr. Shane serves as Chief Financial Officer of our General Partner, he shall also serve as a director of our general partner.

Executive Officers and Board Members

We have two individuals who serve as both executive officers and as members of the Board of Directors of StoneMor GP LLC, our General Partner.

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Lawrence Miller has served as our Chief Executive Officer, President and Chairman of the Board of Directors of our general partner since our formation in April 2004 and had served as the Chief Executive Officer and President of Cornerstone, since March 1999 through April 2004. Prior to joining Cornerstone, Mr. Miller was employed by The Loewen Group, Inc. (now known as the Alderwoods Group, Inc.), where he served in various management positions, including Executive Vice President of Operations from January 1997 until June 1998, and President of the Cemetery Division from March of 1995 until December 1996. Prior to joining The Loewen Group, Mr. Miller served as President and Chief Executive Officer of Osiris Holding Corporation, a private consolidator of cemeteries and funeral homes of which Mr. Miller was a one-third owner, from November 1987 until March 1995, when Osiris was sold to The Loewen Group. Mr. Miller served as President and Chief Operating Officer of Morlan International, Inc., one of the first publicly traded cemetery and funeral home consolidators from 1982 until 1987, when Morlan was sold to Service Corporation International. Mr. Miller has been retained in this position due to his extensive experience in the death care industry, his expansive operations experience and acumen, his contacts within the death care community and his long tenure of service with us and our affiliates.

William R. Shane has served as our Executive Vice President and Chief Financial Officer and on the Board of Directors of our general partner since our formation in April 2004 and had served as Executive Vice President and Chief Financial Officer of Cornerstone since March 1999 through April 2004. Prior to joining Cornerstone, Mr. Shane was employed by The Loewen Group, Inc., where he served as Senior Vice President of Finance for the Cemetery Division from March 1995 until January 1998. Prior to joining The Loewen Group, Mr. Shane served as Senior Vice President of Finance and Chief Financial Officer of Osiris Holding Corporation, which he founded with Mr. Miller, and of which he was a one-third owner. Prior to founding Osiris, Mr. Shane served as the Chief Financial Officer of Morlan International, Inc. Mr. Shane has been retained in this position due to his extensive experience in financial services and capital raising activities, his contacts within the death care and financial communities and his long tenure of service with us and our affiliates.

Additional Directors

A brief biography of all non-executive directors of our General Partner is included below:

Allen R. Freedman has served on the Board of Directors of our General Partner since our formation in April 2004, and had served as a director of Cornerstone since October 2000 through April 2004. Mr. Freedman retired in July 2000 from his position as Chairman and Chief Executive Officer of Fortis, Inc., a specialty insurance company that he started in 1979. He currently serves on the board of Assurant, Inc. (which was formerly known as Fortis, Inc.) and as trustee of the Eaton Vance Mutual Funds Group. He is also a founding director of the Association of Audit Committee Members, Inc. Mr. Freedman has been retained as a member of the Board of Directors of our General Partner due to his extensive financial and accounting experience, his investment and risk management experience and his experience on other boards.

Peter Grunebaum has served on the Board of Directors of our general partner since December 2004. Mr. Grunebaum, currently an independent investment banker and corporate consultant, was the Managing Director of Fortrend International, an investment firm headquartered in New York, New York, a position he held from 1989 until the end of 2003. Mr. Grunebaum currently serves as a director and is a member of the Executive Committee and Chairman of the Audit Committee of Pre Paid Legal Services, Inc., a NYSE listed company that provides legal service plans. Mr. Grunebaum also serves on the board of directors and is a member of the Audit Committee of Lucas Energy, Inc., a crude oil and gas company. Mr. Grunebaum has been retained as a member of the Board of Directors of our General Partner due to his extensive audit background, his experience with raising capital and his service with other public companies.

Robert B. Hellman, Jr. has served on the Board of Directors of our general partner since our formation in April 2004 and had served as a director of Cornerstone since March 1999 through April 2004. Mr. Hellman is the Chief Executive Officer and a Managing Director of McCown De Leeuw & Co., LLC, which he joined in 1987.

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McCown De Leeuw & Co., LLC is the sponsor of numerous private equity investment funds. Mr. Hellman was named Managing Director in 1991 and Chief Executive Officer in 2001. Mr. Hellman is also the co-founder and has been the Managing Director and Chief Executive Officer of the American Infrastructure MLP Funds, LLC, the sponsor of numerous private investment funds since July 2006. Mr. Hellman has been retained as a member of the Board of Directors of our General Partner due to his involvement in our initial public offering, his extensive investment experience and his prior experience with raising capital.

Martin R. Lautman, Ph.D., has served on the Board of Directors of our general partner since our formation in April 2004 and as a director of Cornerstone since its formation in March 1999 through April 2004. Dr. Lautman is currently the Managing Director of Marketing Channels, Inc., a company that provides marketing and marketing research consulting services to the information industry. Most recently, he served as the President and CEO of GfK Custom Research North America, a division of a public worldwide marketing services company headquartered in Nuremberg, Germany. Prior to that he was the Senior Managing Director of ARBOR a U.S.-based marketing research agency, where he held several positions since 1974. He has also served with Numex Corporation, a public machine-tool manufacturing company, as President from 1987 to 1990 and as a director from 1991 to 1997. From 1986 to 2000, Dr. Lautman served on the Board of Advisors of Bachow Inc., a venture capital firm specializing in high-tech companies and software. He has continued his activities in venture capital serving as a venture partner for three early stage funds. Dr. Lautman is currently a board member for multiple family-owned businesses, including Faulkner Automotive, E.P. Henry, and A. Duie Pyle, a trucking company. Mr. Lautman has been retained as a member of the Board of Directors of our General Partner due to his involvement in numerous boards, his strategic planning experience and his capital raising background.

Fenton R. Pete Talbott has served on the Board of Directors of our general partner since our formation in April 2004 and had served as Chairman of the Board of Cornerstone since April 2000 through April 2004. Mr. Talbott served as the President of Talbott Advisors, Inc., a consulting firm, from January 2006 through January 2010. Mr. Talbott previously served as an operating affiliate of McCown De Leeuw & Co., LLC from November 1999 to December 2004. Additionally, he served as the Chairman of the Board of Telespectrum International, an international telemarketing and market-research company, from August 2000 to January 2001. Prior to 1999, Mr. Talbott held various executive positions with Comerica Bank, American Express Corporation, Bank of America and other entities. He currently serves as a board member of the Preventative Medicine Research Institute, Kansas University Board of Trustees and Christus/St. Vincent Hospital Foundation. Mr. Talbott has been retained as a member of the Board of Directors of our General Partner due to his extensive operational experience, his private consulting experience and his extensive professional contact base.

Howard L. Carver has served on the Board of Directors of our general partner since August 2005. Mr. Carver retired in June 2002 from Ernst & Young. During his 35-year career with the firm, Mr. Carver held a variety of positions in six U.S. offices, culminating with the position of managing partner responsible for the operation of the Hartford, Connecticut office. Since June 2002, Mr. Carver has served on the boards of directors of Assurant, Inc. (formerly Fortis, Inc.) and Phoenix National Trust Company (until its sale in April 2004) and has been the chair of the Audit Committee for both boards. Since September 2004, Mr. Carver had served on the board of directors of Open Solutions, Inc. and was the chair of that company's Audit Committee (until January 23, 2007 when Open Solutions, Inc was sold). Mr. Carver has been retained as a member of the Board of Directors of our General Partner due to his extensive financial and audit experience, and his risk management background.

Additional Executive Officers (Non-Board Members)

A brief biography of additional executive officers is included below:

Michael L. Stache has served as our Senior Vice President and Chief Operating Officer since our formation in April 2004 and had served as Senior Vice President and Chief Operating Officer of Cornerstone since March 1999 through April 2004. Prior to joining Cornerstone, Mr. Stache was with Loewen Group International, Inc., a

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wholly owned subsidiary of The Loewen Group, Inc., between March 1995 and March 1999. Mr. Stache also served as Vice President of Funeral Home Advanced Planning for the United States and Canada for The Loewen Group from January 1999 until he joined Cornerstone in March 1999. Mr. Stache previously served in several different capacities with The Loewen Group, including as Regional President of the North Central Region between 1996 and 1999 and Regional Vice President of Cemetery Operations in the Midwest between 1995 and 1996. Mr. Stache served as Vice President of Operations for Osiris Holding Corporation between 1994 and 1995 and as General Manager between 1988 and 1994.

Robert Stache has served as our Senior Vice President of Sales since our formation in April 2004 and had served in the same capacity with Cornerstone since March 1999 through April 2004. Mr. Stache was in charge of the North Central Region for The Loewen Group, Inc. for both funeral home and cemetery sales from 1996 to 1999. Mr. Stache joined The Loewen Group in 1995, when it acquired Osiris Holding Corporation, where Mr. Stache had been Vice President of Sales for the Cemetery Division. Mr. Stache joined Osiris in 1988 as Vice President of Sales for Colorado.

Paul Waimberg has served as our Vice President of Finance and Corporate Development since our formation in April 2004 and had served as Vice President of Finance of Cornerstone since March 1999 through April 2004.

Mr. Waimberg was previously employed at The Loewen Group, Inc. from 1995 to 1999, where he was responsible for all accounting acquisition functions and internal and external financial reporting as Vice President of Cemetery Accounting. He had approximately 80 employees reporting to him who were responsible for all general ledger functions for 500 companies. Prior to joining The Loewen Group in 1995, he carried out all accounting responsibilities for Osiris Holding Corporation before it merged into The Loewen Group. Mr. Waimberg joined Osiris in July 1990 as its Controller.

Timothy K. Yost has been our Vice President of Financial Reporting and Investors Relations since November 2004. Prior to joining us, Mr. Yost was the Chief Financial officer of SpinCycle, Inc. a national chain of coin-operated laundromats. He began with that company in 1997. From October 1995 through May 1997, he was a controller for the Magellan Corporations, a real estate limited partnership syndicate specializing in the development and acquisition of multi-unit residential housing properties. From October 1991 through October 1995, Mr. Yost was the Head of Premium Accounting for Republic Western Insurance Company, a division of U-Haul International.

The GP LLC Agreement specifies that the directors of our general partner shall be elected by a plurality vote of the Class A units of our general partner, subject to the requirements described in footnote (1) to the table above. CFSI LLC holds all of the outstanding Class A units. CFSI LLC is controlled by the MDC IV Liquidating Trusts.

Mr. Hellman serves as the sole member of Gen4 Trust Advisor LLC, a Delaware limited liability company, which is a trust advisor to the MDC IV Liquidating Trusts, which together beneficially own 87.2% of CFSI LLC through their direct ownership of approximately 10.1% of the Class B units of CFSI LLC and indirectly through their ownership of approximately 90.8% of the membership interests in Cornerstone Family Services LLC, which owns 85% of the Class B units of CFSI LLC. CFSI LLC indirectly owns our 2% general partner interest.

Messrs. M. Stache and R. Stache are brothers.

Board Meetings and Committees

From January 1, 2010 to December 31, 2010, the Board of Directors of our general partner held four meetings. All directors then in office attended all of these meetings, either in person or by teleconference. We have standing Audit, Conflicts, Trust and Compliance, and Nominating, Compensation and Corporate

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Governance Committees of the Board of Directors of our general partner. The Board of Directors of our general partner appoints the members of such committees. The Audit Committee has a written charter approved by the board, which is posted on our website at www.stonemor.com under the Investor Relations section. The current members of the committees, the number of meetings held by each committee from January 1, 2010 to December 31, 2010, and a brief description of the functions performed by each committee are set forth below:

Audit Committee (10 meetings)

The members of the Audit Committee are Messrs. Freedman (Chairman), Grunebaum and Carver. Messrs. Freedman, Carver and Grunebaum attended all meetings of the Audit Committee for the period noted above. The primary responsibilities of the Audit Committee are to assist the Board of Directors of our general partner in its general oversight of our financial reporting, internal controls and audit functions, and it is directly responsible for the appointment, retention, compensation and oversight of the work of our independent auditors. Messrs. Freedman, Carver and Grunebaum each qualify as independent under applicable standards established by the SEC and NASDAQ for members of audit committees.

In addition, the Audit Committee includes at least one member who is determined by the Board of Directors of our general partner to meet the qualifications of an audit committee financial expert in accordance with SEC rules, including that the person meets the relevant definition of an independent director. Mr. Freedman is the independent director who has been determined to be an audit committee financial expert. Unitholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Freedman's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose on Mr. Freedman any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and the Board of Directors of our general partner, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

Conflicts Committee (3 meetings)

The members of the Conflicts Committee are Messrs. Freedman (Chairman), Carver and Grunebaum. The primary responsibility of the Conflicts Committee is to review matters that the directors believe may involve conflicts of interest. The Conflicts Committee determines if the resolution of the conflict of interest is fair and reasonable to us. The members of the Conflicts Committee may not be officers or employees of our general partner or directors, officers, or employees of its affiliates and must meet the independence standards to serve on an audit committee of a board of directors established by NASDAQ and certain other requirements. Any matters approved by the Conflicts Committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties it may owe us or our unitholders.

Conflicts of interest may arise between us and our unitholders, on the one hand, and our general partner and its affiliates, including the MDC IV Liquidating Trusts, on the other hand. These conflicts include decisions made by our general partner (such as the amount and timing of borrowings or whether to acquire additional cemeteries) that may result in our general partner receiving incentive.

Nominating, Compensation and Corporate Governance Committee (4 meetings)

The members of the Nominating, Compensation and Corporate Governance Committee are Messrs. Talbott (Chairman), Hellman, and Lautman. All the members attended all meetings of the committee for the period noted above. The primary responsibility of the Nominating, Compensation and Corporate Governance Committee is to oversee compensation decisions for the outside directors of our general partner and executive officers of our general partner (in the event they are to be paid by our general partner) as well as our long-term incentive plan, and to select and recommend nominees for election to the Board of Directors of our general partner.

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Trust and Compliance Committee (4 meetings)

The members of the Trust and Compliance Committee are Messrs. Talbott (Chairman), Freedman, Grunebaum and Carver. Funds that are held in merchandise trusts and perpetual care trusts are managed by third-party investment managers within specified investment guidelines adopted by the Trust and Compliance Committee of our board of directors and standards imposed by state law.

These investment managers are monitored by third-party investment advisors selected by our Trust and Compliance Committee who advise the Trust and Compliance Committee on the determination of asset allocations, evaluate the investment managers and provide detailed monthly reports on the performance of each merchandise and perpetual care trust. All the members attended all meetings of the committee for the period noted above.

Code of Ethical Conduct for Financial Managers

We have adopted a Code of Ethical Conduct applicable to all of our financial managers, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Ethical Conduct for Financial Managers incorporates guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The Code of Ethical Conduct for Financial Managers is publicly available on our website under the Investor Relations section (at www.stonemor.com). If any amendments are made to the Code of Ethical Conduct for Financial Managers or if we or our general partner grants any waiver, including any implicit waiver, from a provision of the code to any of its financial managers, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Our general partner's directors, officers and beneficial owners of more than 10 percent of common units are required to file reports of ownership and reports of changes in ownership with the SEC. Directors, officers and beneficial owners of more than 10% of our common units are also required to furnish us with copies of all such reports that are filed. Based on our review of copies of such forms and amendments, we believe that all of our directors, executive officers and greater than 10% beneficial owners complied with all filing requirements under Section 16(a) of the Exchange Act during the year ended December 31, 2010.

Item 11. Executive Compensation COMPENSATION DISCUSSION AND ANALYSIS

Our Compensation Process

Our business is managed by the directors, officers and employees of StoneMor GP LLC, our general partner. We have no employees of our own. Accordingly, all decisions relating to compensation of the executive officers and directors of our general partner are made by the board of directors of our general partner, which we refer to as the board. The Nominating, Compensation and Corporate Governance Committee of the board, which we refer to as the compensation committee, is responsible for making recommendations to the board regarding the compensation of executive officers and outside directors and for overseeing all executive officer compensation programs, plans and policies, including those involving the issuance of equity securities.

Our general partner does not receive any management fee or other compensation for managing our business, but is reimbursed by us for all expenses incurred on our behalf. These expenses include all expenses necessary or appropriate to the conduct of our business and allocable to us. The partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us. All items of cash compensation reflected in the tables below were incurred on our behalf by our general partner and reimbursed by us.

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Objectives and Overview of Our Compensation Programs

Our compensation programs are designed by the board and compensation committee to attract and retain high quality executive officers, to motivate them to achieve our business goals and to maximize the value of our unitholders' investment by aligning the interests of our executive officers with the interests of our unitholders. Our business goals are to increase our revenues, profits and cash distributions from existing operations, facilitate our growth through acquisitions, promote a cohesive team effort and provide a workplace environment that fosters compliance with the laws and regulations applicable to our business. Our compensation programs include short-term elements, such as annual base salary and annual incentive cash bonus, as well as longer term elements such as equity based awards. Our executive officers also receive health, disability and life insurance benefits and automobile allowances, and are entitled to defer a portion of their compensation pursuant to our 401(k) retirement plan. We do not match any contributions under that plan.

Our general partner has entered into written employment agreements, as amended, with four of our executive officers, Messrs. Miller, Shane, M. Stache and R. Stache. Each agreement is for an initial term of one-year and automatically extends for successive one year terms unless either party gives a 90 day written notice of non-renewal.

How the Elements of Our Executive Compensation Program Further Our Business Goals

The primary elements of our executive compensation program are described below. We have no formula for allocating between long or short-term compensation, cash or non-cash compensation, or among different forms of non-cash compensation, all of which allocations are determined in the discretion of the board and compensation committee.

Base Salary

Base salary is the guaranteed element of our executive officers' compensation. The amount of base salary reflects the subjective assessment of the compensation committee and board, taking into consideration, the experience of the executive, the competitive market for similarly skilled executives, the complexity of the executive's job, and our size, financial capabilities and business goals.

Annual Cash Incentive Program

Our annual cash incentive program is designed to motivate our executives to achieve our short-term earnings growth and cash distribution goals. For 2010, our goal was to exceed a pre-determined level of earnings before depreciation, interest, taxes and amortization, or EBITDA. The amount earned under this program by each of our executive officers named in the Summary Compensation Table is set forth in such table under the caption "Non-Equity Incentive Plan Compensation". The aggregate cash incentive payments available for our executive officers in 2010 were allocated in proportion to their base salaries. The minimum EBITDA goal, the other elements of our annual cash incentive program and the identity of the participants in the program were determined at the discretion of the board of directors and compensation committee, after considering the recommendations of our chief executive officer.

Long-Term Incentive Plan

Awards under our long-term incentive plan are designed to motivate our executives to remain employed by us for a sufficient period of time to achieve our longer term business goals and increase unit-holder value. Unless otherwise specified in the award agreements, unvested awards under the long-term incentive plan are forfeited upon an executive's termination of employment. Pursuant to certain key employee restricted phantom unit agreements and unit appreciation rights agreements with our executives, unvested awards under our long-term incentive plan are forfeited if employment terminates for any reason other than a change of control, death,

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permanent disability or retirement at age 65, in certain agreements, or other age approved by the compensation committee. The grant of awards under our long-term incentive plan is made at the discretion of the board of directors after considering recommendations of the compensation committee and our chief executive officer.

The 2010 awards made under our long-term incentive plan to our executive officers were awards of 1,036 restricted phantom units, to each of Messrs. Miller and Shane, pursuant to their distribution equivalent rights, which become payable, in cash or common units, at our election, upon the separation of the executive from service or upon the occurrence of certain other events specified in the applicable agreement and unit appreciation rights, which vest ratably over a period of approximately four years.

The board does not have a program, plan or practice to time grants of awards in coordination with release of material non-public information.

Severance Payments

The employment agreements for each of Messrs. Miller, Shane, M. Stache and R. Stache, which were entered into in 2004 and since amended, provide for severance payments in the amount of 2.5 times base salary in the event an executive's employment is terminated by our general partner without cause or by the executive for good reason. In that circumstance, all of the executive's unvested equity awards will vest and the executive will be entitled to the continuation of insurance benefits for an agreed period or a cash equivalent (see Employment Agreements). The amount of the severance payment and other benefits provided for in the employment agreements were determined by negotiation between the board and each of the executives and reflects the board's belief at the time such agreements were entered into that the amounts of such payments and benefits and the circumstances under which they would be paid or provided were reasonable. We do not provide cash payments to executives that are triggered by a change of control of our company or our general partner, but upon such a change of control all of our executives' unvested equity awards will vest.

Perquisites

Our named executive officers participate in a wide array of benefit plans that are available to all of our salaried employees, including health, life and disability insurance plans. We generally do not offer our named executive officers any material compensation in the form of perquisites. Perquisites provided to our named executive officers described in Footnote 3 to the Summary Compensation Table below are linked to our compensation philosophy of encouraging the long-term retention of our executives.

Executive Pay Parity

We provide each of Messrs. Miller (our CEO, President and Chairman) and Shane (our Executive Vice President, Chief Financial Officer and Director) with identical salaries, bonuses, long-term incentives and perquisites, and we provide each of Messrs. M. Stache (our Senior Vice President and Chief Operating Officer) and R. Stache (our Senior Vice President Sales) with identical salaries, bonuses and long-term incentives and perquisites. The board and compensation committee believe that pay parity among similar level executives fosters team work and minimizes internal dissension.

Other Matters

The compensation committee and board did not engage outside compensation consultants in 2010 but did consider available comparable company data in making compensation related decisions in 2010. The board has not established a policy for the adjustment of any compensation award or payment if the relevant performance measures on which they are based are restated or adjusted. The board has not established any security ownership guidelines for executive officers and considered the existing equity ownership levels of recipients of awards made during 2009. The board considered the impact of accounting and tax treatments to us and the recipients in granting awards in 2009 under our long-term incentive plan.

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COMPENSATION COMMITTEE REPORT

The Compensation, Nominating and Corporate Governance Committee of the board of directors of our general partner has reviewed and discussed with management the Compensation Discussion and Analysis for the year ended December 31, 2010. Based on such review and discussions, the Compensation, Nominating and Corporate Governance Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

This Compensation Committee Report shall not be deemed incorporated by reference in any document previously or subsequently filed with the SEC that incorporates by reference all or any portion of this Annual Report on Form 10-K, except to the extent that we specifically request that the report be incorporated by reference.

By the Compensation, Nominating and Corporate Governance Committee.

Fenton R. Talbott, Chairman

Robert B. Hellman, Jr.

Martin R. Lautman

Table of Contents**SUMMARY COMPENSATION TABLE**

The following table sets forth the compensation awarded to, earned by, or paid to our chief executive officer, our chief financial officer and our three other most highly compensated executive officers, referred to as named executive officers, for all services rendered in all capacities to us and our subsidiaries.

Name and Principal Position	Year	Salary (\$)	Unit Awards (1) (\$)	Unit Option Awards (1) (\$)	Non-equity		Total (\$)
					Incentive Plan Compensation (2) (\$)	All other Compensation (3) (\$)	
Lawrence Miller	2010	\$ 392,308(4)	\$ 23,245	\$	\$ 291,704	\$ 33,656	\$ 740,319(5)
Chief Executive Officer, President and Chairman of the Board	2009	\$ 392,308(4)	\$ 188,000	\$ 418,500	\$	\$ 14,686	\$ 1,013,494(5)
	2008	\$ 400,000(4)	\$	\$	\$	\$ 13,200	\$ 413,200(5)
William R. Shane	2010	\$ 392,308(4)	\$ 23,245	\$	\$ 291,704	\$ 29,166	\$ 736,423(5)
Executive Vice President, Chief Financial Officer and Director	2009	\$ 392,308(4)	\$ 188,000	\$ 418,500	\$	\$ 14,715	\$ 1,013,523(5)
	2008	\$ 400,000(4)	\$	\$	\$	\$ 13,200	\$ 413,200(5)
Michael L. Stache	2010	\$ 279,519(4)	\$	\$	\$ 152,479	\$ 27,838	\$ 459,836(5)
Senior Vice President and Chief Operating Officer	2009	\$ 279,519(4)	\$	\$ 179,250	\$	\$ 13,000	\$ 471,769(5)
	2008	\$ 285,000(4)	\$	\$	\$	\$ 12,000	\$ 297,000(5)
Robert Stache	2010	\$ 279,519(4)	\$	\$	\$ 152,479	\$ 27,838	\$ 459,836(5)
Senior Vice President Sales	2009	\$ 279,519(4)	\$	\$ 179,250	\$	\$ 13,000	\$ 471,769(5)
	2008	\$ 285,000(4)	\$	\$	\$	\$ 12,000	\$ 297,000(5)
Paul Waimberg	2010	\$ 174,698	\$	\$	\$ 43,063	\$ 3,330	\$ 221,091(5)
Vice President Finance and Corporate Development	2009	\$ 175,698	\$	\$ 59,750	\$	\$	\$ 235,448(5)

- Represents the aggregate grant date fair value of awards made during the year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 referred to as ASC Topic 718 based on the assumptions set forth in Note 11 to the consolidated financial statements included in our Annual Report on Form 10-K. In 2010, Messrs. Miller and Shane each received 1035.84 Restricted Phantom Units with an aggregate fair value of \$23,245. In 2009, Messrs. Miller and Shane each received 10,000 Restricted Phantom Units with an aggregate fair value of \$188,000 and 175,000 Unit Appreciation Rights with an aggregate fair value of \$418,250, Messrs. M. Stache and R. Stache each received 75,000 Unit Appreciation Rights with an aggregate fair value of \$179,250, and Messr. Paul Waimberg received 25,000 Unit Appreciation Rights with an aggregate fair value of \$59,750.
- Represents the amount distributed under our Annual Cash Incentive Program. Payments under the plan are based upon attaining an internally generated calculation of EBITDA.
- Includes \$12,100 of auto allowance for Messrs. Miller and Shane and \$11,000 for Messrs. M. Stache and R. Stache. Includes \$4,490 in expenses related to the travel of the spouses of Messrs. Miller, M. Stache and R. Stache on business trips. Includes a payment of \$17,066 for Messrs. Miller and Shane, \$12,348 for Messrs. M. Stache and R. Stache and \$3,330 for Messr. Waimburg representing a distribution on units that were set to be issued, but for administrative reasons, were not issued prior to the dividend declaration date.
- Base salary is payable pursuant to the terms of an employment agreement effective as of September 20, 2004. (See Employment Agreements)
- For information regarding cash distributions that may be received by our named executive officers by reasons of their ownership interests in our general partner or its affiliates see Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Unit-holder Matters and Item 13. Certain Relationships and Related Transactions, and Director Independence .

Table of Contents**2010, 2009 and 2008 Annual Cash Incentive Program**

Payments under our Annual Cash Incentive Program are based upon attaining an internally generated calculation of EBITDA.

The table below details the target EBITDA and bonus amounts granted to each named executive for the years ended December 31, 2010, 2009 and 2008.

	For the year ended December 31,								
	2010			2009			2008		
	Target EBITDA	Actual EBITDA	Bonus paid	Target EBITDA	Actual EBITDA	Bonus paid	Target EBITDA	Actual EBITDA	Bonus paid
Lawrence Miller	\$ 66,024,707	\$ 71,892,109	\$ 291,704	\$ 55,242,000	\$ 47,556,000	\$	\$ 54,290,000	\$ 47,351,000	\$
William Shane	\$ 66,024,707	\$ 71,892,109	\$ 291,704	\$ 55,242,000	\$ 47,556,000	\$	\$ 54,290,000	\$ 47,351,000	\$
Michael Stache	\$ 66,024,707	\$ 71,892,109	\$ 152,479	\$ 55,242,000	\$ 47,556,000	\$	\$ 54,290,000	\$ 47,351,000	\$
Robert Stache	\$ 66,024,707	\$ 71,892,109	\$ 152,479	\$ 55,242,000	\$ 47,556,000	\$	\$ 54,290,000	\$ 47,351,000	\$
Paul Waimberg	\$ 66,024,707	\$ 71,892,109	\$ 43,063	\$ 55,242,000	\$ 47,556,000	\$	\$ 54,290,000	\$ 47,351,000	\$

Total EBITDA generated for the years ended December 31, 2010, 2009 and 2008 were approximately \$71.9 million, \$47.3 million and \$47.4 million, respectively. In 2009 and 2008, this amount was below our target levels of approximately, \$55.2 million and \$54.3 million and accordingly, we paid no cash incentive compensation. In 2010, we exceeded our target level of approximately \$66.0 million in EBITDA and we have accrued cash incentive compensation for the named executives as noted in the Summary Compensation Table above that was paid in 2011.

The EBITDA measurement utilized for our Annual Cash Incentive Program is a non-GAAP financial measure. The table below reconciles Net Income as shown in our Consolidated Statement of Operations (the GAAP measure we believe most closely reconciles to this calculation of EBITDA) to EBITDA used in our calculation of our Annual Cash Incentive Program:

	For the year ended December 31,		
	2010	2009	2008
	(amounts in thousands)		
Net income (loss)	\$ (1,446)	\$ (4,388)	\$ 4,556
Acquisition related costs		5,715	2,292
Interest expense		21,973	14,409
Total income taxes		(5,383)	(1,945)
Depreciation and amortization		8,845	6,528
Amortization of cemetery property		7,027	5,864
Non-cash unit-based compensation		711	1,576
(Gains) losses from the sale or purchase of certain defined assets		6,486	(349)
Other non-cash (gains) losses		500	4,923
Increase in deferred cemetery revenues (a)		44,178	26,633
Gains on acquisitions		(7,153)	
Increase in deferred selling expenses		(9,561)	(7,987)
EBITDA	\$ 71,892	\$ 47,556	\$ 47,351

- (a) The increase in deferred revenues does not directly tie to the changes in deferred cemetery revenues, net, that can be calculated by comparing our balance sheet position at different points in time. This is because deferred cemetery revenues, net, as presented on our balance sheet also includes deferred unrealized gains and losses on our merchandise trust assets. These changes are not included in net income.

Table of Contents**GRANTS OF PLAN-BASED AWARDS DURING THE YEAR ENDED DECEMBER 31, 2010**

The following table sets forth information regarding grants of plan-based awards to our named executive officers during the year ended December 31, 2010.

Name	Grant date	Estimated possible payouts under non-equity incentive plan awards			All other stock awards: Number of shares of stock or units (#)(2)	Grant date fair value of stock and option awards
		Threshold (\$)	Target \$(1)	Maximum (\$)		
Lawrence Miller			\$ 291,704			
	2/12/2010				290.43	\$ 5,550
	5/14/2010				278.73	\$ 5,711
	8/13/2010				258.18	\$ 5,866
	11/12/2010				208.50	\$ 6,118
William Shane			\$ 291,704			
	2/12/2010				290.43	\$ 5,550
	5/14/2010				278.73	\$ 5,711
	8/13/2010				258.18	\$ 5,866
	11/12/2010				208.50	\$ 6,118
Michael Stache			\$ 152,479			
Robert Stache			\$ 152,479			
Paul Waimberg			\$ 43,063			

- (1) Represents amounts awarded under our Annual Cash Incentive Program. Payments under the plan are based upon attaining an internally generated calculation of EBITDA. See Footnote 2 to the Summary Compensation Table.
- (2) Under an executive restricted phantom unit agreement entered into under our long-term incentive plan, Messrs. Miller and Shane were credited with 1,036 phantom units during 2010 pursuant to their distribution equivalent rights.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2010

The following table sets forth information with respect to outstanding equity awards at December 31, 2010 for our named executive officers.

	Option Awards				Unit Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (2)	Option Exercise Price (\$)	Option Expiration Date	Number of shares or units That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested
Lawrence Miller	45,573	129,427	\$ 18.80	12/16/2014	11,036	\$ 331,632
William R. Shane	45,573	129,427	\$ 18.80	12/16/2014	11,036	\$ 331,632
Michael L. Stache	19,531	55,469	\$ 18.80	12/16/2014		
Robert Stache	19,531	55,469	\$ 18.80	12/16/2014		
Paul Waimberg	6,510	18,490	\$ 18.80	12/16/2014		

- (1) Pursuant to an executive restricted phantom unit agreement entered into under our long-term incentive plan, on December 16, 2009, Messrs. Miller and Shane each received 10,000 phantom units and were each credited with an additional 1,036 phantom units during 2010

pursuant to their distribution equivalent rights. The phantom units become payable, in cash or common units, at our election, upon the separation of the

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executive from service as an executive of our general partner or upon the occurrence of certain other events. The market value has been computed by multiplying the closing price of the common units on December 31, 2010 by the number of unvested units.

- (2) Pursuant to a unit appreciation rights agreement entered into under our long-term incentive plan, on December 16, 2009, Messrs. Miller, Shane, M. Stache, R. Stache, and Waimberg were each granted 175,000, 175,000, 75,000, 75,000, and 25,000 unit appreciation rights, respectively. The UARs entitle each executive to receive, in our whole common units or cash, at our election, the excess of the fair value of the common unit on the exercise date over the base exercise price of \$18.80, which was the last trading price of a common unit immediately preceding the grant. The UARs vest ratably over a period of 48 months beginning on the grant date.

OPTION EXERCISES AND STOCK VESTED DURING YEAR ENDED DECEMBER 31, 2010

The following table provides information about the value realized by the named executive officers on the vesting of phantom units and exercise of unit appreciation rights during the year ended December 31, 2010.

	Option awards		Unit awards	
	Number of shares acquired on exercise (#) (1)	Value realized on exercise (\$ (1)	Number of shares acquired on vesting (#) (2)	Value realized on vesting (\$ (2)
Lawrence Miller	30,750	\$ 580,560		
William R. Shane	30,750	\$ 580,560		
Michael L. Stache	22,250	\$ 420,080		
Robert Stache	22,250	\$ 420,080		
Paul Waimberg	6,000	\$ 113,280	10,000	\$ 63,300

- 1) Represents the number of units issued pursuant to key employee restricted phantom unit agreements entered into under our long-term incentive plan. On March 18, 2010, Messrs. Miller and Shane each exercised 10,750 time-vested and 20,000 performance vested units, Messrs. M. Stache and R. Stache each exercised 8,250 time-vested and 14,000 performance vested units, and Mr. Waimberg exercised 2,500 time-vested and 3,500 performance vested units. The fair value calculated hereunder is based upon the fair value of our outstanding common units at March 18, 2010 (\$18.88), the date the awards were exercised.
- (2) Mr. Waimberg exercised 10,000 UARs which had vested under our Long Term Incentive Plan. The UARs had an exercise price of \$24.14 per share and their exercise resulted in the issuance of 2,077 units based upon the difference between the fair value of our outstanding common units on November 15, 2010 (\$30.47), the date as of which the number of units to be issued upon the exercise of the UARs was determined.

EMPLOYMENT AGREEMENTS

The following is a summary of the material provisions of the employment agreements between our general partner and Messrs. Miller, Shane, M. Stache and R. Stache.

The employment agreements contemplate that each employee will serve as an officer of our general partner. Each of the employment agreements has an initial term that expires one year from the effective date, but is automatically extended for successive one-year terms unless either party gives written notice of non-renewal 90 days prior to the end of the term.

The employment agreements provide for a base annual salary of \$350,000 for each of Messrs. Miller and Shane and \$250,000 for each of Messrs. M. Stache and R. Stache, subject to increase in the discretion of our general partner. In addition, each employee is eligible to receive an annual bonus award based upon satisfaction of mutually agreed upon targets established by our general partner and approved by the board of directors of our

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general partner or the compensation committee of our general partner. If no targets are established, the employee may, at the discretion of our general partner, receive a bonus of up to 50% of base salary for meeting budgeted goals. The employee is also entitled to participate in other discretionary bonus or performance-based bonus programs for senior executives, as determined by the compensation committee of our general partner, including unit incentive plans adopted by our general partner.

If the employee's employment is terminated without cause or if the employee resigns for good reason, the employee will be entitled to severance in an amount equal to the product of employee's base salary at the time of termination or resignation and 2.5. The employment agreements of Messrs. Miller and Shane define cause as (a) fraud, willful misconduct or gross negligence by the employee that materially adversely affects our reputation or the reputation of our general partner and continues after notice and, if requested by the employee, an opportunity to be heard, or (b) any chemical dependence that materially adversely affects the employee's performance of his duties and responsibilities and for which the employee fails to undertake and maintain treatment. The employment agreements of Messrs. M. Stache and R. Stache define cause as (a) the gross neglect or willful failure by the employee to perform his duties and responsibilities as set forth in the employment agreement, which is not cured within thirty days of notice to the employee; (b) any act of fraud by the employee, whether relating to our general partner or otherwise; (c) the conviction or entry into a plea of nolo contendere by the employee with respect to any felony or misdemeanor (other than a traffic offense which does not result in imprisonment); (d) the commission by the employee of any willful or intentional act (including any violation of law) which materially injures the reputation or materially adversely affects the business or business relationships of our general partner; or (e) any willful failure or willful breach (not covered by any of clauses above) of any of the material obligations of the employment agreement. An employee will be deemed to have terminated his employment for good reason if, among other things, such employee resigns after the location of the principal office of our general partner is moved outside a 75-mile radius of its former location in Bristol, Pennsylvania; the employee is removed from his executive position; the employee has a material change in duties or compensation, or our general partner willfully breaches the employment agreement.

During the employee's employment period and for one year thereafter, the employee is generally prohibited from engaging in any business that competes with our general partner in areas in which our general partner conducts business as of the date of termination. During the employee's employment period and for two years thereafter, the employee is generally prohibited from soliciting or inducing any of our employees to terminate their employment with us or accept employment with anyone else or interfere in a similar manner with our business. The non-competition period may terminate earlier as determined by the board of directors of our general partner if (a) the employee is terminated other than for cause and (b) such termination does not occur within 30 days after a change in control. The employment agreements define a change in control as including (i) a bona fide sale of all or substantially all of the assets of our general partner to any person or entity other than an affiliate, (ii) a merger, reorganization, consolidation or other transaction where more than 50% of the combined voting power of the equity interests in our general partner ceases to be owned by certain persons who own such interests at the effective date of the employment agreement or (iii) the acquisition of 40% or more of the equity interests in our general partner by any person not currently part of the ownership of our general partner, except where the person is an employee benefit fund or one who effects the purchase at the request of or with the approval of the board of directors of our general partner.

Table of Contents**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL**

The following table describes the potential payments and benefits under the employment agreements and agreements relating to awards granted under our long-term incentive plan to which the named executive officers would be entitled upon termination of employment if our general partner terminated their employment without cause or if the executive terminates for good reason, assuming the termination took place on December 31, 2010. A change of control of our general partner or of us would not trigger severance payments but would accelerate the vesting of the outstanding unvested awards granted under our long-term incentive plan.

	Cash Severance Payment (\$ (1))	Continuation of Medical/Welfare Benefits (Present Value) (\$ (2))	Acceleration and Continuation of Equity Awards (Unamortized Expense as of December 31, 2010 (\$ (3))	Excise Tax Gross Up (\$ (1))	Total Termination Benefits (\$)
Lawrence Miller	\$ 1,000,000	\$ 28,399	\$ 1,733,070	\$	\$ 2,761,469
William R. Shane	\$ 1,000,000	\$ 36,786	\$ 1,733,070	\$	\$ 2,769,856
Michael L. Stache	\$ 712,500	\$ 28,399	\$ 632,813	\$	\$ 1,373,712
Robert Stache	\$ 712,500	\$ 28,399	\$ 632,813	\$	\$ 1,373,712
Paul Waimberg	\$	\$	\$ 210,938	\$	\$ 210,938

- (1) Messrs. Miller, Shane, M. Stache and R. Stache are each entitled to 2.5 times their base annual salary. The 2010 and 2009 base salary amount disclosed in the executive compensation table included a reduction for a furlough program. The cash severance benefit does not get reduced for the furlough program.
- (2) Messrs. Miller, Shane, M. Stache and R. Stache are each entitled to continued coverage under our medical insurance program for two years.
- (3) At December 31, 2010, Messrs. Miller and Shane each held 11,036 deferred executive phantom units. Messrs. Miller, Shane, M. Stache, R. Stache, and Waimberg each had 131,250, 131,250, 56,250, 56,520, and 18,750 unvested UAR s for which the strike price was \$18.80. The amount calculated hereunder is based upon the fair value of our outstanding common units at December 31, 2010 (\$30.05). The fair value of Messrs. Miller and Shane s deferred executive phantom units is equal to the total units outstanding multiplied by the December 31, 2010 fair value of our common units. The value of all UAR s is equaled to the total UAR s granted multiplied by the remainder of the fair value of our common units at December 31, 2010 less their strike price (\$18.80).

Table of Contents**DIRECTOR COMPENSATION**

The following table sets forth compensation information for 2010 for each member of our general partner's board of directors who is not also an executive officer. Our executive officers do not receive additional compensation for serving on the board. See Summary Compensation Table for disclosures related to our executive-officer directors, Lawrence Miller and William R. Shane.

	Fees Earned Or Paid In Cash (\$)	Unit Awards (\$) ⁽²⁾ (3)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
Howard Carver (1)	\$ 37,000	\$ 31,236	\$	\$	\$	\$	\$ 68,236
Allen Freedman (1)	\$ 47,000	\$ 33,459	\$	\$	\$	\$	\$ 80,459
Peter Grunebaum (1)	\$ 31,375	\$ 32,842	\$	\$	\$	\$	\$ 64,217
Robert B. Hellman, Jr. (1)	\$ 29,500	\$ 15,182	\$	\$	\$	\$	\$ 44,682
Martin R. Lautman (1)	\$ 29,500	\$ 33,459	\$	\$	\$	\$	\$ 62,959
Fenton R. Talbott (1)	\$ 38,250	\$ 33,459	\$	\$	\$	\$	\$ 71,709

- (1) Each board member receives an annual cash retainer of \$22,500, an annual retainer in deferred restricted phantom units of \$12,500, a meeting fee of \$1,000 for each meeting of the board of directors attended in person and \$750 for each committee meeting attended in person, a fee of \$500 for participation in each telephone board call that is greater than one hour, but less than two hours, and \$1,000 for participation in each telephone board call that is two hours or more. In addition, Mr. Freedman receives a fee of \$2,500 per meeting as the Chairman of the Audit Committee and Mr. Talbott receives a fee of \$625 per meeting as the Chairman of the Conflicts Committee and the Chairman of the Trust and Compliance Committee.
- (2) During 2010, each of Messrs. Carver, Freedman, Grunebaum, Hellman, Lautman and Talbott were awarded a total of 553.45 deferred restricted phantom units in payment of the portion of their annual retainer. The deferred restricted phantom units are credited to a mandatory deferred compensation account established for each such person. For each deferred restricted phantom unit in such account, we credit the account, solely in additional deferred restricted phantom units, an amount of distribution equivalent rights so as to provide the deferred restricted phantom unit holders a means of participating on a one-for-one basis in distributions made to holders of our common units. In 2010, Messrs. Freedman, Lautman and Talbott were each credited with an additional 931.54 deferred restricted phantom units, Mr. Grunebaum was credited with an additional 904.04 deferred restricted phantom units, Mr. Carver was credited with an additional 832.50 deferred restricted phantom units and Mr. Hellman was credited with an additional 117.08 deferred restricted phantom units pursuant to their distribution equivalent rights. In addition to these amounts, Messrs. Freedman, Lautman and Talbott each own an additional 8,796.24 deferred restricted phantom units, Mr. Grunebaum owns an additional 8,530.77 deferred restricted phantom units, Mr. Carver owns an additional 7,840.09 deferred restricted phantom units, and Mr. Hellman owns an additional 933.41 deferred restricted phantom units, in each case received in connection with their annual directors compensation for years prior to 2010. Accordingly, at December 31, 2010, the aggregate number of awards outstanding for each of our non-employee directors was 10,281.23 for each of Messrs. Freedman, Lautman and Talbott, 9,988.26 for Mr. Grunebaum, 9,226.04 for Mr. Carver and 1,603.94 for Mr. Hellman. Payments to participants of the participant's mandatory deferred compensation account will be made on the earlier of (i) separation of the participant from service as a director, (ii) disability, (iii) unforeseeable emergency, (iv) death, or (v) change of control of our company or our general partner. Participants will be paid at our election in our common units or cash. See Note 11 of our Consolidated Financial Statements regarding assumptions we used underlying the valuation of equity awards.

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(3) See the table below:

Represents the aggregate grant date fair value of awards made during the year in accordance with ASC Topic 718 based on the assumptions set forth in Note 11 to the consolidated financial statements included in our Annual Report on Form 10-K.

The grant date fair value of each grant awarded to each director of our General Partner who was not also an Executive Officer of Our General Partner is as follows:

Grant date	Fair value of units granted						
	Fair Value per Unit	Allen Freedman	Martin Lautman	Fenton Talbott	Peter Grunebaum	Robert Hellman	Howard Carver
2/12/2010	\$ 19.11	\$ 4,882	\$ 4,882	\$ 4,882	\$ 4,735	\$ 518	\$ 4,351
3/9/2010	\$ 21.13	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125
5/11/2010	\$ 19.37	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125
5/14/2010	\$ 20.49	\$ 5,106	\$ 5,106	\$ 5,106	\$ 4,954	\$ 615	\$ 4,560
8/13/2010	\$ 22.72	\$ 5,334	\$ 5,334	\$ 5,334	\$ 5,178	\$ 721	\$ 4,773
8/24/2010	\$ 23.55	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125
11/9/2010	\$ 28.02	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125	\$ 3,125
11/12/2010	\$ 29.34	\$ 5,637	\$ 5,637	\$ 5,637	\$ 5,475	\$ 828	\$ 5,052
Total		\$ 33,459	\$ 33,459	\$ 33,459	\$ 32,842	\$ 15,182	\$ 31,236

LONG-TERM INCENTIVE PLAN

Our general partner has adopted the StoneMor Partners L.P. Long-Term Incentive Plan, as amended for its employees, consultants and directors, who perform services for us. The long-term incentive plan permits the grant of awards covering an aggregate of 1,124,000 common units in the form of unit options, unit appreciation rights, restricted units and phantom units. The plan is administered by the compensation committee of our general partner's board of directors. The plan will continue in effect until the earliest of (i) the date determined by the board of directors of our general partner; (ii) the date that common units are no longer available for payment of awards under the plan; or (iii) the tenth anniversary of the plan.

Our general partner's board of directors or compensation committee may, in their discretion, terminate, suspend or discontinue the long-term incentive plan at any time with respect to any units for which a grant has not yet been made. Our general partner's board of directors also has the right to alter or amend the long-term incentive plan or any part of the plan from time to time, including increasing the number of units that may be delivered in accordance with awards under the plan, subject to any approvals if required by the exchange upon which the common units are listed at that time. No change in any outstanding grant may be made, however, that would materially impair the rights of the participant without the consent of the participant.

Restricted Units and Phantom Units

A restricted unit is a common unit that is subject to forfeiture. Upon vesting, the grantee receives a common unit that is not subject to forfeiture. A phantom unit is a notional unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit, or, in the discretion of the compensation committee, cash equivalent to the fair market value of a common unit. The compensation committee may make grants of restricted units and phantom units under the plan to employees, consultants and directors containing such terms as the compensation committee shall determine under the plan, including the period over which restricted units and phantom units granted will vest. The committee may, in its discretion, base its determination on the grantee's period of service or upon the achievement of specified financial objectives. In addition, the restricted and phantom units will vest upon a change of control of us, or our general partner, subject to additional or contrary provisions in the award agreement.

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If a grantee's employment, consulting arrangement or membership on the board of directors terminates for any reason, the grantee's restricted units and phantom units will be automatically forfeited unless, and to the extent, the compensation committee provides otherwise or unless otherwise provided in an award agreement. Common units to be delivered with respect to these awards may be common units acquired by our general partner in the open market, common units acquired by our general partner directly from us or any other person or any combination of the foregoing. Our general partner will be entitled to reimbursement by us for the cost incurred in acquiring common units. If we issue new common units with respect to these awards, the total number of common units outstanding will increase.

Distributions on restricted units may be subject to the same vesting requirements as the restricted units, in the compensation committee's discretion. The compensation committee, in its discretion, may also grant tandem distribution-equivalent rights with respect to phantom units. These are rights that entitle the grantee to receive cash equal to the cash distributions made on the common units. The compensation committee, in its discretion, may also grant tandem unit distribution rights with respect to restricted units, which entitle the grantee to distributions we make with respect to our restricted units.

We intend for the issuance of the common units upon vesting of the restricted units and phantom units under the plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units. Therefore, plan participants will not pay any consideration for the common units they receive, and we will receive no remuneration for the units.

Unit Options and Unit Appreciation Rights

The long-term incentive plan permits the grant of options and unit appreciation rights (UARs) covering common units. A UAR entitles the grantee to a payment in cash or units, in the discretion of the compensation committee, equal to the appreciation of the unit price between the grant date and the exercise date. The compensation committee may make grants under the plan to employees, consultants and directors containing such terms, as the committee shall determine, including the grant of tandem distribution-equivalent rights. It is our intention not to issue Unit Options and UARs with an exercise price less than the fair market value of the units on the date of the grant. In general, unit options and UARs granted will become exercisable over a period determined by the compensation committee and, in the compensation committee's discretion, may provide for accelerated vesting upon the achievement of specified performance objectives. In addition, unless otherwise provided in an award agreement, the unit options and UARs will become exercisable upon a change in control of us or our general partner. Unless otherwise provided in an award agreement, unit options and UARs may be exercised only by the participant during his lifetime or by the person to whom the participant's right will pass by will or the laws of descent and distribution.

If a grantee's employment, consulting arrangement or membership on the board of directors terminates for any reason, the grantee's unvested options and UARs will be automatically forfeited unless, and to the extent, the compensation committee provides otherwise or unless otherwise provided in an award agreement. Upon exercise of a unit option or UAR, the general partner will acquire common units in the open market or directly from us or any other person or any combination of the foregoing. The general partner will be entitled to reimbursement by us for the difference between the cost incurred by it in acquiring these common units and proceeds it receives from a grantee at the time of exercise. Thus, the cost of the unit options and UARs above the proceeds from grantees will be borne by us. If we issue new common units upon exercise of the unit options, the total number of common units outstanding will increase, and our general partner will pay us the proceeds it received from the grantee upon exercise of the unit option.

The plan has been designed to furnish additional compensation to our employees, consultants and directors and to align their economic interests with those of common unit holders. Awards may be granted under the plan in substitution of similar awards held by individuals who become our employees, consultants or directors as a result of an acquisition. These substitute awards may have exercise prices less than the fair market value of a common unit on the date of substitution.

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Risk Assessment in Compensation Policies and Practices for Employees

The compensation committee reviewed the elements of our compensation policies and practices for all employees, including executive officers, in order to evaluate whether risks that may arise from such compensation policies and practices are reasonably likely to have a material adverse effect on our company. The compensation committee concluded that the following features of our compensation programs guard against excessive risk-taking:

compensation programs provide a balanced mix of short-term and longer-term incentives in the form of cash and equity compensation;

base salaries are consistent with employees' duties and responsibilities;

corporate performance goals are appropriately set to avoid targets that, if not achieved, result in a large percentage loss of compensation;

cash incentive awards are capped by the compensation committee; and

cash incentive awards are tied mostly to corporate performance goals, rather than individual performance goals.

The compensation committee believes that, for all employees, including executive officers, our compensation programs do not lead to excessive risk-taking and instead encourage behavior that supports sustainable value creation. We believe that risks that may arise from our compensation policies and practices for our employees, including executive officers, are not reasonably likely to have a material adverse effect on our company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the persons who served as members of the Nominating, Compensation and Corporate Governance Committee (Fenton R. Talbott, Robert B. Hellman, Jr. or Martin R. Lautman) in 2010 has ever been an officer or other employee of our company, or has any relationship requiring disclosure under Item 404 of Regulation S-K other than as described in Item 13. Certain Relationships and Related Transactions, and Director Independence.

Additionally, there were no compensation committee interlocks during 2010, which generally means that none of executive officers of our general partner served as a director or member of the compensation committee of another entity, one of whose executive officers served as a director or member of the Nominating, Compensation and Corporate Governance Committee of the board of directors of our general partner.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of March 1, 2011, the beneficial ownership of the common units of StoneMor as of March 1, 2011 held by beneficial owners of 5% or more of the units, if any, by directors and named executive officers of our general partner and by all directors and executive officers of our general partner as a group. Unless otherwise indicated, the address for each unitholder is c/o StoneMor Partners L.P., 311 Veterans Highway, Suite B, Levittown, PA 19056. Unless otherwise indicated, the beneficial owner named in the table is deemed to have sole voting and sole dispositive power of the units set forth opposite such beneficial owner's name.

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	Common Units Beneficially Owned (6)	Percentage of Common Units Beneficially Owned
Lawrence Miller (1)	179,700	*
William R. Shane (2)	179,700	*
Michael Stache	50,071	*
Robert Stache	50,071	*
Paul Waimberg	9,671	*
Allen R. Freedman (3)	32,432	*
Robert B. Hellman, Jr.	5,000	*
Martin R. Lautman, Ph.D.	114,839	*
Fenton R. Talbot	35,766	*
Peter Grunebaum	6,650	*
Howard L. Carver	4,560	*
All directors and executive officers as a group (12 persons)	646,860	3.4%

* 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 units beneficially owned by LDLM Associates, LP and Osiris Investments, LP.
- (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.
- (3) Includes 21,798 common units held by Mr. Freedman's spouse and over which Mr. Freedman may be deemed to have beneficial ownership.

Equity Compensation Plan Information

The following table details information regarding our equity compensation plan as of December 31, 2010:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	185,104	\$ 17.78	927,960
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	185,104	\$ 17.78	927,960

- (1) Includes 73,734 in restricted and phantom units and 111,370 UARs that would be issued upon exercise based upon the strike price of the UAR and the fair value of our common units at December 31, 2010.

**Item 13. Certain Relationships and Related Transactions, and Director Independence
Independence of Directors**

Even though most companies listed on the NASDAQ Global Select Market are required to have a majority of independent directors serving on the board of directors of the listed company, the NASDAQ Global Select

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Market does not require a listed limited partnership like us to have a majority of independent directors on the board of directors of its general partner.

The board of directors has determined that Allen Freedman, Howard Carver, Martin Lautman, Robert Hellman, Fenton Talbott and Peter Grunebaum qualify as independent directors in accordance with the applicable listing requirements of NASDAQ and the Exchange Act. In making these determinations, the directors reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities as they may relate to our management and us.

Related Party Transactions Policy and Procedures

The board of directors of our general partner established the Conflicts Committee, which is authorized to exercise all of the power and authority of the board of directors in connection with investigating, reviewing and acting on matters referred or disclosed to it where a conflict of interest exists or arises and performing such other functions as the board may assign to the Conflicts Committee from time to time. Pursuant to the Conflicts Committee Charter, the Conflicts Committee is responsible for reviewing all matters involving a conflict of interest submitted to it by the board of directors or as required by any written agreement involving a conflict of interest to which we are a party. In approving or ratifying any transaction or proposed transaction, the Conflicts Committee determines whether the transaction complies with our policies on conflicts of interests.

Distributions and Payments to our General Partner and its Affiliates

We were formed as a Delaware limited partnership to own and operate cemetery and funeral home properties previously owned and operated by Cornerstone. The following table summarizes the distributions and payments to be made by us to our general partner and its affiliates in connection with our ongoing operation and any liquidation. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

Distributions of available cash to our general partner and its affiliates	We will generally make cash distributions 98% to the unitholders, including our general partner, in respect of the common units that it owns, and 2% to our general partner. If distributions exceed target distribution levels, our general partner will be entitled to increasing percentages of the distributions, up to 50% of the distributions above the highest level.
Payments to our general partner and its affiliates	Our general partner and its affiliates do not receive any management fee or other compensation for the management of our business and affairs, but they are reimbursed for all expenses that they incur on our behalf, including general and administrative expenses and corporate overhead. As the sole purpose of the general partner is to act as our general partner, substantially all of the expenses of our general partner are incurred on our behalf and reimbursed by us or our subsidiaries. Our general partner determines the expenses that are allocable to us in good faith.
Withdrawal or removal of our general Partner	If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests.
Liquidation	Upon our liquidation, the unitholders and our general partner will be entitled to receive liquidating distributions according to their respective capital account balances.

Table of Contents**Ownership Interests in our General Partner**

Our general partner owns our 2% general partner interest and our incentive distribution rights. The following table shows the owners of our general partner:

Name	Ownership of Outstanding Class A Units of StoneMor GP LLC	Ownership of Outstanding Class B Units of StoneMor GP LLC
CFSI LLC	100%(1)	
Lawrence Miller		30%
William R. Shane		30%
Michael Stache		20%
Robert Stache		20%

- (1) In connection with the conversion of Cornerstone into CFSI LLC, all of the outstanding shares of Cornerstone common stock were converted into Class B units of CFSI LLC, and all of the outstanding shares of Cornerstone preferred stock were converted into Class A units of CFSI LLC (since redeemed). CFSI LLC is owned directly by Cornerstone Family Services LLC (85% of the Class B units), the MDC IV Liquidating Trusts (approximately 10.1% of the Class B units), Messrs. Miller and Shane (each of whom owns, along with family partnerships, approximately 1.2% of the Class B units), and other individuals, including the following directors and executive officers of our general partner, each of whom owns less than 1% of the Class B units: M. Stache, R. Stache, Waimberg, Talbott, Lautman and Freedman. Cornerstone Family Services LLC is, in turn, owned directly by the MDC IV Liquidating Trusts (approximately 89.8% membership interest), institutional investors (approximately 5.3% aggregate membership interest) and other individuals, including the following directors and executive officers of our general partner: Messrs. Miller, Shane and Lautman. Each of Messrs. Shane and Miller owns an approximately 1.6% membership interest in Cornerstone Family Services LLC through family partnerships and Mr. Lautman owns less than approximately a 1% membership interest in Cornerstone Family Services LLC. As a result of their ownership interests in CFSI LLC and Cornerstone Family Services LLC, each of these executive officers and directors of our general partner holds an indirect interest in the Class A units of our general partner, which are described below.

The membership interests in our general partner are represented by two classes of units, the Class A units and the Class B units. Each of Messrs. Miller and Shane owns 24 Class B units, or 30% of the 80 outstanding Class B units and each of Messrs. M. Stache and R. Stache owns 16 Class B units or 20% of the 80 outstanding Class B units. The compensation committee of our general partner may issue up to 20 additional Class B units to other executive officers of our general partner without the consent of Mr. Miller or Mr. Shane. At such time that 100 or more Class B units are issued and outstanding, Messrs. Miller and Shane must consent to any additional issuances of Class B units for so long as both of them are executive officers of our general partner and holders of Class B units. If at that time only one of Messrs. Miller and Shane is both an executive officer of our general partner and a holder of Class B units, then only that one must consent to such additional issuances. If at that time neither of Messrs. Miller and Shane is both an executive officer of our general partner and a holder of Class B units, then holders of a majority of outstanding Class B units must consent to such additional issuances. Additional issuances of Class B units will dilute all outstanding Class B units on a pro rata basis.

The Class B units in the aggregate are entitled to 50% of all quarterly cash distributions that we pay to our general partner with respect to its general partner interest and 25% of all quarterly cash distributions that we pay to our general partner with respect to its incentive distribution rights.

Messrs. Miller, Shane, M. Stache, R. Stache, Waimberg, Talbott, Lautman and Freedman also indirectly own Class A units of our general partner as a result of their direct and indirect ownership of membership interests in Cornerstone Family Services LLC and CFSI LLC discussed in footnote (1) to the table above. These persons directly hold an aggregate of approximately 4.5% of the Class B units in CFSI LLC. In addition, Messrs. Miller, Shane and Lautman own an approximate aggregate 3.9% membership interest in Cornerstone Family Services

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LLC, which in turn owns 85% of the Class B units in CFSI LLC, which will initially own all of the Class A units of our general partner. As a result, these persons collectively own, indirectly, an aggregate of approximately 7.8% of the Class A units of our general partner. The Class A units of our general partner are entitled to the remaining 50% interest on distributions that we pay to our general partner with respect to its general partner interest and the remaining 75% of all distributions that we pay to our general partner with respect to its incentive distribution rights

The Class A and Class B units of our general partner are subject to certain transfer and purchase rights and obligations upon the occurrence of certain events, such as:

a change of control of CFSI LLC or our general partner;

transfers by certain holders of Class A units of our general partner; or

the death or disability of a holder of Class B units of our general partner.

Relationships and Related Transactions with CFSI LLC and Cornerstone Family Services LLC

Agreements Governing the Partnership

We, our general partner, our operating company and other parties have entered into various documents and agreements that effected the initial public offering transactions, including the vesting of assets in, and the assumption of liabilities by, us and our subsidiaries, and the application of the proceeds of the initial public offering. These agreements are not the result of arm's-length negotiations, and we cannot assure you that they, or any of the transactions that they provide for, have been effected on terms at least as favorable to the parties to these agreements as could have been obtained from unaffiliated third parties. All of the transaction expenses incurred in connection with these transactions, including the expenses associated with transferring assets into our subsidiaries, have been paid from the proceeds of the initial public offering.

Omnibus Agreement

On September 20, 2004 we entered into an omnibus agreement with McCown De Leeuw, Cornerstone Family Services LLC, CFSI LLC, our general partner and StoneMor Operating LLC.

Under the omnibus agreement, as long as our general partner is an affiliate of McCown De Leeuw, McCown De Leeuw will agree, and will cause its controlled affiliates to agree, not to engage, either directly or indirectly, in the business of owning and operating cemeteries and funeral homes (including the sales of cemetery and funeral home products and services) in the United States. On November 30, 2010, MDC IV Liquidating Trusts became successors to McCown De Leeuw, and McCown De Leeuw was subsequently terminated. The MDC IV Liquidating Trusts assumed and agreed to be bound by and perform all of the obligations and duties of McCown De Leeuw under the omnibus agreement.

CFSI LLC had agreed to indemnify us for all federal, state and local income tax liabilities attributable to the operation of the assets contributed by CFSI LLC to us prior to the 2004 closing of the public offering. CFSI LLC had also agreed to indemnify us against additional income tax liabilities, if any, that arise from the consummation of the 2004 transactions related to our formation in excess of those believed to result at the time of the 2004 closing of our initial public offering. We had estimated that \$600,000 of state income taxes and no federal income taxes would be due as a result of these formation transactions. CFSI LLC had also agreed to indemnify us against the increase in income tax liabilities of our corporate subsidiaries resulting from any reduction or elimination of our net operating losses to the extent those net operating losses are used to offset any income tax gain or income resulting from the prior operation of the assets of CFSI LLC contributed to us in 2004, or from our formation transactions in excess of such gain or income believed to result at the time of the 2004 closing of the initial public offering. Until all of its indemnification obligations under the omnibus agreement had been satisfied in full, CFSI LLC was subject to limitations on its ability to dispose of or encumber its interest in our general partner or the common units held by it (except upon a redemption of common units by

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the partnership upon any exercise of the underwriters' over-allotment option) and would also be prohibited from incurring any indebtedness or other liability. An amendment to the omnibus agreement dated January 24, 2011 was entered into by all parties to the omnibus agreement (and after due consideration approved by our conflicts committee, which retained independent counsel; the committee was chaired by Mr. Carver). An accompanying certification by our general partner established that as of the date of the amendment, CFSI LLC's indemnification obligations under the omnibus agreement were discharged and CFSI LLC was no longer subject to the limitations and prohibition described above in this paragraph. Those indemnification obligations pertain to the taxable year 2004 of CFSI LLC. To our knowledge, there has been no inquiry from or instigation of proceedings by any taxing authority which could reasonably be expected to require indemnification under the omnibus agreement. We believe, the expiration has occurred of all applicable statutes of limitations (including any extensions thereof) relating to the filing of all tax returns which could reasonably be expected to require indemnification under the omnibus agreement, except if there were certain omissions of gross income of more than 25% or fraud. Our general partner has certified to its knowledge there was no such omission or fraud. CFSI LLC is also subject to certain limitations on its ability to transfer its interest in our general partner or the common units held by it if the effect of the proposed transfer would trigger an ownership change under the Internal Revenue Code that would limit our ability to use our federal net operating loss carryovers. Please read Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Income Taxes.

The omnibus agreement may not be further amended without the prior approval of the conflicts committee if our general partner determines that the proposed amendment will adversely affect holders of our common units. Any further action, notice, consent, approval or waiver permitted or required to be taken or given by us under the indemnification provisions of the omnibus agreement as amended must be taken or given by the conflicts committee of our general partner.

Relationship with MDC IV Liquidating Trusts

MDC IV Liquidating Trusts is the beneficial owner of approximately 87.2% of the Class B units of CFSI LLC through its direct ownership of approximately 10.1% of the Class B units of CFSI LLC and indirectly through its ownership of approximately 90.8% of the membership interests in Cornerstone Family Services LLC, which owns approximately 85% of the Class B units of CFSI LLC.

Under the Limited Liability Company Agreement of CFSI LLC, MDC IV Liquidating Trusts has the right to designate at least three individuals, and such other greater number of individuals, to serve on the board of managers of CFSI LLC. In addition, for so long as Mr. Miller serves as an officer of CFSI LLC, he will also serve as a manager of CFSI LLC, and for so long as Mr. Shane serves as an officer of CFSI LLC, he will also serve as a manager of CFSI LLC. Prior to the conversion of Cornerstone into CFSI LLC, a stockholders agreement among Cornerstone and its stockholders required each stockholder to vote all of its shares of Cornerstone to elect and maintain a board of directors of Cornerstone comprised of at least three, and such other greater number, of individuals designated by the MDC IV Liquidating Trusts.

The Limited Liability Company Agreement of CFSI LLC contains provisions that require CFSI LLC, through its direct control of our general partner and its indirect control of us and our subsidiaries, to prevent us, our subsidiaries and our general partner from taking certain significant actions without the approval of CFSI LLC. These actions include:

certain acquisitions, borrowings and capital expenditures by us, our subsidiaries or our general partner;

issuances of equity interests in us or our subsidiaries; and

certain dispositions of equity interests in, or assets of, us, our general partner or our subsidiaries.

Under the Second Amended and Restated Limited Liability Company Agreement of Cornerstone Family Services LLC, MDC IV Liquidating Trusts has the right to designate at least three individuals, and such other greater number of individuals, to serve on the board of managers of Cornerstone Family Services LLC. In

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addition, for so long as Mr. Miller serves as an officer of Cornerstone Family Services, LLC, he will also serve as a manager of Cornerstone Family Services LLC, and for so long as Mr. Shane serves as an officer of Cornerstone Family Services LLC, he will also serve as a manager of Cornerstone Family Services, LLC.

Under the Second Amended and Restated Limited Liability Company Agreement of Cornerstone Family Services LLC and the Limited Liability Company Agreement of CFSI LLC, each manager of Cornerstone Family Services LLC and each manager of CFSI LLC have agreed to cause Cornerstone Family Services LLC, CFSI LLC and any of their respective subsidiaries, as the case may be, to designate at least three individuals, and such other greater number of individuals designated by MDC IV Liquidating Trusts to serve as members of the board of managers of StoneMor Operating LLC; and to take such actions as may be necessary to cause the election of additional persons designated by MDC IV Liquidating Trusts as managers of StoneMor Operating LLC and to amend the limited liability company agreement of StoneMor Operating LLC as necessary.

Item 14. Principal Accounting Fees and Services

The following table sets forth the aggregate fees paid or accrued for professional services rendered by Deloitte & Touche LLP for the audit of our annual financial statements for fiscal years 2010 and 2009 and the aggregate fees paid or accrued for audit-related services and all other services rendered by Deloitte & Touche LLP for fiscal years 2010 and 2009.

	Year ended December 31,	
	2010	2009
Audit fees	\$ 1,077,849	\$ 1,277,352
Audit-related fees	137,757	829,010
Tax fees	875,009	883,600
	\$ 2,090,615	\$ 2,989,962

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

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

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

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

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Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Financial Schedules

(1) The following financial statements of StoneMor Partners L.P. are included in Part II, Item 8: Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2010 and 2009

Consolidated Statement of Operations for the years ended December 31, 2010, 2009 and 2008

Consolidated Statement of Common Stockholders / Partners Equity for the years ended December 31, 2010, 2009 and 2008

Consolidated Statement of Cash Flows for the years ended December 31, 2010, 2009, and 2008

Notes to the Consolidated Financial Statements

(c) Exhibits

Exhibit

Number	Description
3.1*	Certificate of Limited Partnership of StoneMor Partners L.P. (incorporated by reference to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 9, 2004 (Exhibit 3.1)).
3.2*	Second Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P. dated as of September 9, 2008 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed on September 15, 2008).
4.1.1*	Form of 7.66% Senior Secured Note Due 2009, dated June 20, 2007 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
4.1.2*	Form of 9.34% Series B Senior Secured Note Due 2012, dated August 15, 2007 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
4.1.3*	Form of Senior Secured Series C Note, dated December 21, 2007 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
4.2.1*	Indenture, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.2.2*	Form of 10.25% Senior Note due 2017 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.3*	Registration Rights Agreement, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the Initial Guarantors party thereto and Banc of America Securities LLC (incorporated by reference to Exhibit 4.3 of Registrant's Current

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Report on Form 8-K filed on November 24, 2009).

4.4* Form of Revolving Credit Note (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on September 27, 2010).

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Number	Description
4.5*	Form of Acquisition Note (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on September 27, 2010).
10.1.1*	Credit Agreement by and among StoneMor Operating LLC, StoneMor GP LLC, StoneMor Partners L.P., various additional borrowers, various lending institutions and Fleet National Bank, dated September 20, 2004 (Incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.1.2*	Second Amendment to Credit Agreement, dated September 28, 2006, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Second Amendment to the Credit Agreement, the Lenders party to the Second Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer (incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.1.3*	Third Amendment to Credit Agreement, dated May 7, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Third Amendment to the Credit Agreement, the Lenders party to the Third Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended March 31, 2007).
10.1.4*	Fourth Amendment to Credit Agreement, dated June 29, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Fourth Amendment to the Credit Agreement, the Lenders party to the Fourth Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.5*	Fifth Amendment to Credit Agreement, dated July 31, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Fifth Amendment to the Credit Agreement, the Lenders party to the Fifth Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.6*	Commitment Letter, dated March 15, 2007, by and between StoneMor Operating LLC, all of its existing and future direct and indirect subsidiaries and Bank of America, N.A., Banc of America Securities LLC (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on April 9, 2007).
10.1.7*	Fee Letter, dated March 15, 2007, by and between StoneMor Operating LLC and all of its existing and future direct and indirect subsidiaries and Bank of America, N.A., Banc of America Securities LLC (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on April 9, 2007).
10.1.8*	Extension Letter, dated May 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).

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Number	Description
10.1.9*	Extension Letter, dated June 21, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.8 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.10*	Extension Letter, dated July 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
10.1.11*	Intercreditor and Collateral Agency Agreement by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, various subsidiaries, various lenders and noteholders and Fleet National Bank, dated September 20, 2004 (incorporated by reference to Exhibit 10.10 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.1.12*	Amended and Restated Credit Agreement, dated August 15, 2007, among StoneMor Operating LLC, as a Borrower, various subsidiaries thereof, as additional Borrowers, StoneMor Partners L.P. and StoneMor GP LLC, as Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders Party Hereto, and Banc of America Securities LLC, as Sole Lead Arranger and Sole Book Manager (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
10.1.13*	First Amendment to Amended and Restated Credit Agreement, dated November 2, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, various subsidiaries thereof, the lenders party thereto and Bank of America, N.A., as Administrative Agent, Collateral Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1.11 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.1.14*	Joinder to Amended and Restated Credit Agreement and Credit Documents, dated December 21, 2007 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
10.1.15*	Commitment Letter, effective as of February 25, 2009, by and among Bank of America, N.A., Bank of America Securities, LLC and StoneMor Operating LLC (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed March 2, 2009).
10.1.16*	Second Amendment to Amended and Restated Credit Agreement, dated April 30, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 6, 2009).
10.1.17*	Third Amendment to Amended and Restated Credit Agreement, dated July 6, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.18*	Fourth Amendment to Amended and Restated Credit Agreement, dated November 24, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.1.19*	Fifth Amendment to Amended and Restated Credit Agreement, dated January 15, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on January 21, 2010).

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Number	Description
10.1.20*	Sixth Amendment to Amended and Restated Credit Agreement, dated May 4, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 7, 2010).
10.1.21*	Seventh Amendment to Amended and Restated Credit Agreement, dated September 22, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on September 27, 2010).
10.1.22*	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).
10.2.1*	Amended and Restated Note Purchase Agreement, dated as of August 15, 2007, by StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, and each of the Subsidiary Issuers listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
10.2.2*	First Amendment to the Amended and Restated Note Purchase Agreement, dated November 2, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, its Subsidiaries set forth on the signature pages thereof, and the Noteholders (incorporated by reference to Exhibit 4.1.3 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
10.2.3*	Joinder to Amended and Restated Note Purchase Agreement and Finance Documents, dated December 21, 2007 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
10.2.4*	Second Amendment to Amended and Restated Note Purchase Agreement, dated April 30, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 6, 2009).
10.2.5*	Third Amendment to Amended and Restated Note Purchase Agreement, dated July 1, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.2.6*	Fourth Amendment to Amended and Restated Note Purchase Agreement, dated November 24, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.2.7*	Fifth Amendment to Amended and Restated Note Purchase Agreement, dated January 15, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on January 21, 2010).
10.2.8*	Sixth Amendment to Amended and Restated Note Purchase Agreement, dated May 4, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 7, 2010).

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Number	Description
10.2.9*	Seventh Amendment to Amended and Restated Note Purchase Agreement, dated September 22, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on September 27, 2010).
10.3*	Purchase Agreement, dated November 18, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Banc of America Securities LLC, acting on behalf of itself and as the representative for the purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
10.4.1*	StoneMor Partners L.P. Long-Term Incentive Plan, as amended April 19, 2010 (incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement filed on June 4, 2010).
10.4.2*	Form of the Director Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.4.3*	Form of the Key Employee Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
10.4.4*	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 27, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 1, 2006).
10.4.5*	Director Restricted Phantom Unit Agreement by and between StoneMor GP LLC and Robert Hellman dated June 23, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 23, 2009).
10.4.6*	Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
10.4.7*	Form of the Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
10.4.8*	Director Unit Appreciation Rights Agreement under the StoneMor Partners L.P. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.8 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).
10.5.1*	Employment Agreement by and between StoneMor GP LLC and Lawrence Miller, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.5.2*	Addendum to Employment Agreement between StoneMor GP LLC and Lawrence Miller, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.6.1*	Employment Agreement by and between StoneMor GP LLC and William R. Shane, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.6.2*	Addendum to Employment Agreement between StoneMor GP LLC and William R. Shane, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 19, 2007).

Table of Contents**Exhibit**

Number	Description
10.7.1*	Employment Agreement by and between StoneMor GP LLC and Michael L. Stache, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.7.2*	Addendum to Employment Agreement between StoneMor GP LLC and Michael L. Stache, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.8.1*	Employment Agreement by and between StoneMor GP LLC and Robert Stache, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.8 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.8.2*	Addendum to Employment Agreement between StoneMor GP LLC and Robert Stache, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
10.9.1*	Form of Indemnification Agreement by and between StoneMor GP LLC and Lawrence Miller, Robert B. Hellman, Jr., Fenton R. Talbott, Jeffery A. Zawadsky, Martin R. Lautman, William R. Shane, Allen R. Freedman, effective September 20, 2004 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.9.2*	Form of Indemnification Agreement by and between StoneMor GP LLC and Howard Carver and Peter Grunebaum, effective February 16, 2007 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.10*	Asset Purchase and Sale Agreement by and between StoneMor Partners L.P. and SCI Funeral Services, Inc., an Iowa corporation (SCI) and a wholly-owned subsidiary of Service Corporation International, a Texas corporation, joined by certain of SCI's direct and indirect subsidiary entities, effective October 13, 2005 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 17, 2005).
10.11*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement, and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.12*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC, and SCI Funeral Services, Inc., SCI Michigan Funeral Services, Inc. and Hawes, Inc. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.13*	Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC, and SCI Funeral Services, Inc., and SCI Michigan Funeral Services, Inc. and Hillcrest Memorial Company (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
10.14*	Asset Purchase and Sale Agreement, dated December 4, 2007, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement and by Cemetery Management Services of Ohio, L.L.C., and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement, as well as by SCI Ohio Funeral Services, Inc., and Alderwoods (Ohio) Cemetery Management, Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 7, 2007).

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Number	Description
10.15*	Transition Agreement, dated December 7, 2007, by and among StoneMor Operating LLC, joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement, as defined therein, and SCI Funeral Services, Inc., joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 7, 2007).
10.16*	Asset Purchase and Sale Agreement, dated March 30, 2010, by and among StoneMor Operating LLC, StoneMor Michigan LLC, StoneMor Michigan Subsidiary LLC, SCI Funeral Services, LLC, SCI Michigan Funeral Services, Inc., Hillcrest Memorial Company, Christian Memorial Cultural Center, Inc., Sunrise Memorial Gardens Cemetery, Inc. and Flint Memorial Park Association (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 30, 2010).
10.17*	Asset Purchase and Sale Agreement, dated March 30, 2010, by and among StoneMor Operating LLC, Plymouth Warehouse Facilities LLC, SCI Funeral Services, LLC, SCI Michigan Funeral Services, Inc., Hillcrest Memorial Company, Sunrise Memorial Gardens Cemetery, Inc., Flint Memorial Park Association, StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on March 30, 2010).
10.18.1*	Amended and Restated Purchase Agreement by and among StoneMor Operating LLC, StoneMor Indiana LLC, StoneMor Indiana Subsidiary LLC, Ohio Cemetery Holdings, Inc., Ansure Mortuaries of Indiana, LLC, Memory Gardens Management Corporation, Forest Lawn Funeral Home Properties, LLC, Gardens of Memory Cemetery LLC, Gill Funeral Home, LLC, Garden View Funeral Home, LLC, Royal Oak Memorial Gardens of Ohio Ltd., Heritage Hills Memory Gardens of Ohio Ltd., Robert E. Nelms and Lynnette Gray, as receiver, dated April 2, 2010 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 5, 2010).
10.18.2*	Amendment No. 1 to Amended and Restated Purchase Agreement by and among StoneMor Operating LLC, StoneMor Indiana LLC, StoneMor Indiana Subsidiary LLC, Ohio Cemetery Holdings, Inc., Ansure Mortuaries of Indiana, LLC, Memory Gardens Management Corporation, Forest Lawn Funeral Home Properties, LLC, Gardens of Memory Cemetery LLC, Gill Funeral Home, LLC, Garden View Funeral Home, LLC, Royal Oak Memorial Gardens of Ohio Ltd., Heritage Hills Memory Gardens of Ohio Ltd., Robert E. Nelms, Robert Nelms, LLC and Lynnette Gray, as receiver, dated June 21, 2010 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 25, 2010).
10.19*	Settlement Agreement by and among StoneMor Indiana LLC, StoneMor Operating LLC, StoneMor Partners L.P., Chapel Hill Associates, Inc., Chapel Hill Funeral Home, Inc., Covington Memorial Funeral Home, Inc., Covington Memorial Gardens, Inc., Forest Lawn Memorial Chapel Inc., Forest Lawn Memory Gardens Inc., Fred W. Meyer, Jr. by James R. Meyer as Special Administrator to the Estate of Fred W. Meyer, Jr., James R. Meyer, Thomas E. Meyer, Nancy Cade, and F.T.J. Meyer Associates, LLC dated June 21, 2010 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on June 25, 2010).
10.20.1*	Omnibus Agreement by and among McCown De Leeuw & Co. IV, L.P., McCown De Leeuw & Co. IV Associates, L.P., MDC Management Company IV, LLC, Delta Fund LLC, Cornerstone Family Services LLC, CFSI LLC, StoneMor Partners L.P., StoneMor GP LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).

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Number	Description
10.20.2*	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).
10.21*	Contribution, Conveyance and Assumption Agreement by and among StoneMor Partners L.P., StoneMor GP LLC, CFSI LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.22	Director compensation.
21.1	Subsidiaries of Registrant.
23.1	Consent of Deloitte & Touche LLP
31.1	Certification pursuant to Exchange Act Rule 13a-14(a) of Lawrence Miller, Chief Executive Officer President and Chairman of the Board of Directors.
31.2	Certification pursuant to Exchange Act Rule 13a-14(a) of William R. Shane, Executive Vice President and Chief Financial Officer.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of Directors (furnished herewith).
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of William R. Shane, Executive Vice President and Chief Financial Officer (furnished herewith).
99.1*	Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 99.1 of Registrant's Current Report on Form 8-K filed on September 19, 2007).
99.2*	First Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 14, 2007 (incorporated by reference to Exhibit 99.2 of Registrant's Current Report on Form 8-K filed on September 19, 2007).
99.3*	Second Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of December 18, 2007 (incorporated by reference to Exhibit 99.2 of Registrant's Current Report on Form 8-K filed on December 28, 2007).

* Incorporated by reference, as indicated
Management contract, compensatory plan or arrangement

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STONEMOR PARTNERS L.P.

By: StoneMor GP LLC, its General Partner

March 29, 2011

By: /s/ LAWRENCE MILLER
Lawrence Miller

Chief Executive Officer, President and

Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ LAWRENCE MILLER Lawrence Miller (Principal Executive Officer)	Chief Executive Officer, President and Chairman of the Board	March 29, 2011
/s/ WILLIAM R. SHANE William R. Shane (Principal Financial Officer)	Executive Vice President, Chief Financial Officer and Director	March 29, 2011
/s/ PAUL WAIMBERG Paul Waimberg (Principal Accounting Officer)	Vice President Finance	March 29, 2011
/s/ ALLEN R. FREEDMAN	Director	March 29, 2011
/s/ PETER K. GRUNEBaum	Director	March 29, 2011
/s/ ROBERT B. HELLMAN, JR. Robert B. Hellman, Jr.	Director	March 29, 2011
/s/ MARTIN R. LAUTMAN, PH.D. Martin R. Lautman, Ph.D.	Director	March 29, 2011

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/s/ FENTON R. TALBOTT

Director

March 29, 2011

/s/ HOWARD L. CARVER

Director

March 29, 2011

Howard L. Carver

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Number	Description
3.1*	Certificate of Limited Partnership of StoneMor Partners L.P. (incorporated by reference to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 9, 2004 (Exhibit 3.1)).
3.2*	Second Amended and Restated Agreement of Limited Partnership of StoneMor Partners L.P. dated as of September 9, 2008 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed on September 15, 2008).
4.1.1*	Form of 7.66% Senior Secured Note Due 2009, dated June 20, 2007 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
4.1.2*	Form of 9.34% Series B Senior Secured Note Due 2012, dated August 15, 2007 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
4.1.3*	Form of Senior Secured Series C Note, dated December 21, 2007 (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
4.2.1*	Indenture, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.2.2*	Form of 10.25% Senior Note due 2017 (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.3*	Registration Rights Agreement, dated as of November 24, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the Initial Guarantors party thereto and Banc of America Securities LLC (incorporated by reference to Exhibit 4.3 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
4.4*	Form of Revolving Credit Note (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed on September 27, 2010).
4.5*	Form of Acquisition Note (incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed on September 27, 2010).
10.1.1*	Credit Agreement by and among StoneMor Operating LLC, StoneMor GP LLC, StoneMor Partners L.P., various additional borrowers, various lending institutions and Fleet National Bank, dated September 20, 2004 (Incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.1.2*	Second Amendment to Credit Agreement, dated September 28, 2006, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Second Amendment to the Credit Agreement, the Lenders party to the Second Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer (incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on October 4, 2006).

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- 10.1.3* Third Amendment to Credit Agreement, dated May 7, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Third Amendment to the Credit Agreement, the Lenders party to the Third Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended March 31, 2007).
- 10.1.4* Fourth Amendment to Credit Agreement, dated June 29, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Fourth Amendment to the Credit Agreement, the Lenders party to the Fourth Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
- 10.1.5* Fifth Amendment to Credit Agreement, dated July 31, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC and its subsidiaries set forth on the signature page to the Fifth Amendment to the Credit Agreement, the Lenders party to the Fifth Amendment to the Credit Agreement and Bank of America, N.A., as Administrative Agent for the benefit of the Lenders, as Collateral Agent for the benefit of the Lenders and other Secured Creditors, as Swingline Lender and as Letter of Credit Issuer (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
- 10.1.6* Commitment Letter, dated March 15, 2007, by and between StoneMor Operating LLC, all of its existing and future direct and indirect subsidiaries and Bank of America, N.A., Banc of America Securities LLC (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on April 9, 2007).
- 10.1.7* Fee Letter, dated March 15, 2007, by and between StoneMor Operating LLC and all of its existing and future direct and indirect subsidiaries and Bank of America, N.A., Banc of America Securities LLC (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on April 9, 2007).
- 10.1.8* Extension Letter, dated May 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
- 10.1.9* Extension Letter, dated June 21, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.8 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
- 10.1.10* Extension Letter, dated July 31, 2007, by and between StoneMor Operating LLC, Bank of America, N.A. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2007).
- 10.1.11* Intercreditor and Collateral Agency Agreement by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, various subsidiaries, various lenders and noteholders and Fleet National Bank, dated September 20, 2004 (incorporated by reference to Exhibit 10.10 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
- 10.1.12* Amended and Restated Credit Agreement, dated August 15, 2007, among StoneMor Operating LLC, as a Borrower, various subsidiaries thereof, as additional Borrowers, StoneMor Partners L.P. and StoneMor GP LLC, as Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders Party Hereto, and Banc of America Securities LLC, as Sole Lead Arranger and Sole Book Manager (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on August 21, 2007).

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- 10.1.13* First Amendment to Amended and Restated Credit Agreement, dated November 2, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, various subsidiaries thereof, the lenders party thereto and Bank of America, N.A., as Administrative Agent, Collateral Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1.11 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).
- 10.1.14* Joinder to Amended and Restated Credit Agreement and Credit Documents, dated December 21, 2007 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
- 10.1.15* Commitment Letter, effective as of February 25, 2009, by and among Bank of America, N.A., Bank of America Securities, LLC and StoneMor Operating LLC (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed March 2, 2009).
- 10.1.16* Second Amendment to Amended and Restated Credit Agreement, dated April 30, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 6, 2009).
- 10.1.17* Third Amendment to Amended and Restated Credit Agreement, dated July 6, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
- 10.1.18* Fourth Amendment to Amended and Restated Credit Agreement, dated November 24, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
- 10.1.19* Fifth Amendment to Amended and Restated Credit Agreement, dated January 15, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on January 21, 2010).
- 10.1.20* Sixth Amendment to Amended and Restated Credit Agreement, dated May 4, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 7, 2010).
- 10.1.21* Seventh Amendment to Amended and Restated Credit Agreement, dated September 22, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Operating LLC, the Lenders and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on September 27, 2010).
- 10.1.22* 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).
- 10.2.1* Amended and Restated Note Purchase Agreement, dated as of August 15, 2007, by StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, and each of the Subsidiary Issuers listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on August 21, 2007).
- 10.2.2* First Amendment to the Amended and Restated Note Purchase Agreement, dated November 2, 2007, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, its Subsidiaries set forth on the signature pages thereof, and the Noteholders (incorporated by reference to Exhibit 4.1.3 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2007).

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- 10.2.3* Joinder to Amended and Restated Note Purchase Agreement and Finance Documents, dated December 21, 2007 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 28, 2007).
- 10.2.4* Second Amendment to Amended and Restated Note Purchase Agreement, dated April 30, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 6, 2009).
- 10.2.5* Third Amendment to Amended and Restated Note Purchase Agreement, dated July 1, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
- 10.2.6* Fourth Amendment to Amended and Restated Note Purchase Agreement, dated November 24, 2009, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
- 10.2.7* Fifth Amendment to Amended and Restated Note Purchase Agreement, dated January 15, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on January 21, 2010).
- 10.2.8* Sixth Amendment to Amended and Restated Note Purchase Agreement, dated May 4, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 7, 2010).
- 10.2.9* Seventh Amendment to Amended and Restated Note Purchase Agreement, dated September 22, 2010, by and among StoneMor GP LLC, StoneMor Partners L.P., StoneMor Operating LLC, certain Subsidiaries of StoneMor Partners L.P. and the Noteholders (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on September 27, 2010).
- 10.3* Purchase Agreement, dated November 18, 2009, by and among StoneMor Partners L.P., StoneMor Operating LLC, Cornerstone Family Services of West Virginia Subsidiary, Inc., Osiris Holding of Maryland Subsidiary, Inc., the guarantors named therein and Banc of America Securities LLC, acting on behalf of itself and as the representative for the purchasers named therein (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 24, 2009).
- 10.4.1* StoneMor Partners L.P. Long-Term Incentive Plan, as amended April 19, 2010 (incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement filed on June 4, 2010).
- 10.4.2* Form of the Director Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
- 10.4.3* Form of the Key Employee Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated November 8, 2006 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 15, 2006).
- 10.4.4* Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of November 27, 2006 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 1, 2006).
- 10.4.5* Director Restricted Phantom Unit Agreement by and between StoneMor GP LLC and Robert Hellman dated June 23, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 23, 2009).

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- 10.4.6* Form of the Unit Appreciation Rights Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
- 10.4.7* Form of the Executive Restricted Phantom Unit Agreement Under the StoneMor Partners L.P. Long-Term Incentive Plan, dated as of December 16, 2009 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 22, 2009).
- 10.4.8* Director Unit Appreciation Rights Agreement under the StoneMor Partners L.P. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.8 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).
- 10.5.1* Employment Agreement by and between StoneMor GP LLC and Lawrence Miller, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
- 10.5.2* Addendum to Employment Agreement between StoneMor GP LLC and Lawrence Miller, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
- 10.6.1* Employment Agreement by and between StoneMor GP LLC and William R. Shane, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
- 10.6.2* Addendum to Employment Agreement between StoneMor GP LLC and William R. Shane, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
- 10.7.1* Employment Agreement by and between StoneMor GP LLC and Michael L. Stache, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
- 10.7.2* Addendum to Employment Agreement between StoneMor GP LLC and Michael L. Stache, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
- 10.8.1* Employment Agreement by and between StoneMor GP LLC and Robert Stache, effective as of September 20, 2004 (incorporated by reference to Exhibit 10.8 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
- 10.8.2* Addendum to Employment Agreement between StoneMor GP LLC and Robert Stache, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on November 19, 2007).
- 10.9.1* Form of Indemnification Agreement by and between StoneMor GP LLC and Lawrence Miller, Robert B. Hellman, Jr., Fenton R. Talbott, Jeffery A. Zawadsky, Martin R. Lautman, William R. Shane, Allen R. Freedman, effective September 20, 2004 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
- 10.9.2* Form of Indemnification Agreement by and between StoneMor GP LLC and Howard Carver and Peter Grunebaum, effective February 16, 2007 (incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
- 10.10* Asset Purchase and Sale Agreement by and between StoneMor Partners L.P. and SCI Funeral Services, Inc., an Iowa corporation (SCI) and a wholly-owned subsidiary of Service Corporation International, a Texas corporation, joined by certain of SCI's direct and indirect subsidiary entities, effective October 13, 2005 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 17, 2005).

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- 10.11* Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement, and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
- 10.12* Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC, and SCI Funeral Services, Inc., SCI Michigan Funeral Services, Inc. and Hawes, Inc. (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
- 10.13* Asset Purchase and Sale Agreement, dated September 28, 2006, by and among StoneMor Operating LLC, joined by StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC, and SCI Funeral Services, Inc., and SCI Michigan Funeral Services, Inc. and Hillcrest Memorial Company (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on October 4, 2006).
- 10.14* Asset Purchase and Sale Agreement, dated December 4, 2007, by and among StoneMor Operating LLC, joined by its direct and indirect subsidiary entities listed in Exhibit A to the Asset Purchase and Sale Agreement and by Cemetery Management Services of Ohio, L.L.C., and SCI Funeral Services, Inc., joined by its direct and indirect subsidiary entities listed in Exhibit B to the Asset Purchase and Sale Agreement, as well as by SCI Ohio Funeral Services, Inc., and Alderwoods (Ohio) Cemetery Management, Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on December 7, 2007).
- 10.15* Transition Agreement, dated December 7, 2007, by and among StoneMor Operating LLC, joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement, as defined therein, and SCI Funeral Services, Inc., joined by those of its direct and indirect subsidiary entities which are parties to the Purchase Agreement (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on December 7, 2007).
- 10.16* Asset Purchase and Sale Agreement, dated March 30, 2010, by and among StoneMor Operating LLC, StoneMor Michigan LLC, StoneMor Michigan Subsidiary LLC, SCI Funeral Services, LLC, SCI Michigan Funeral Services, Inc., Hillcrest Memorial Company, Christian Memorial Cultural Center, Inc., Sunrise Memorial Gardens Cemetery, Inc. and Flint Memorial Park Association (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on March 30, 2010).
- 10.17* Asset Purchase and Sale Agreement, dated March 30, 2010, by and among StoneMor Operating LLC, Plymouth Warehouse Facilities LLC, SCI Funeral Services, LLC, SCI Michigan Funeral Services, Inc., Hillcrest Memorial Company, Sunrise Memorial Gardens Cemetery, Inc., Flint Memorial Park Association, StoneMor Michigan LLC and StoneMor Michigan Subsidiary LLC (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on March 30, 2010).
- 10.18.1* Amended and Restated Purchase Agreement by and among StoneMor Operating LLC, StoneMor Indiana LLC, StoneMor Indiana Subsidiary LLC, Ohio Cemetery Holdings, Inc., Ansure Mortuaries of Indiana, LLC, Memory Gardens Management Corporation, Forest Lawn Funeral Home Properties, LLC, Gardens of Memory Cemetery LLC, Gill Funeral Home, LLC, Garden View Funeral Home, LLC, Royal Oak Memorial Gardens of Ohio Ltd., Heritage Hills Memory Gardens of Ohio Ltd., Robert E. Nelms and Lynnette Gray, as receiver, dated April 2, 2010 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 5, 2010).

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10.18.2*	Amendment No. 1 to Amended and Restated Purchase Agreement by and among StoneMor Operating LLC, StoneMor Indiana LLC, StoneMor Indiana Subsidiary LLC, Ohio Cemetery Holdings, Inc., Ansure Mortuaries of Indiana, LLC, Memory Gardens Management Corporation, Forest Lawn Funeral Home Properties, LLC, Gardens of Memory Cemetery LLC, Gill Funeral Home, LLC, Garden View Funeral Home, LLC, Royal Oak Memorial Gardens of Ohio Ltd., Heritage Hills Memory Gardens of Ohio Ltd., Robert E. Nelms, Robert Nelms, LLC and Lynnette Gray, as receiver, dated June 21, 2010 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 25, 2010).
10.19*	Settlement Agreement by and among StoneMor Indiana LLC, StoneMor Operating LLC, StoneMor Partners L.P., Chapel Hill Associates, Inc., Chapel Hill Funeral Home, Inc., Covington Memorial Funeral Home, Inc., Covington Memorial Gardens, Inc., Forest Lawn Memorial Chapel Inc., Forest Lawn Memory Gardens Inc., Fred W. Meyer, Jr. by James R. Meyer as Special Administrator to the Estate of Fred W. Meyer, Jr., James R. Meyer, Thomas E. Meyer, Nancy Cade, and F.T.J. Meyer Associates, LLC dated June 21, 2010 (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on June 25, 2010).
10.20.1*	Omnibus Agreement by and among McCown De Leeuw & Co. IV, L.P., McCown De Leeuw & Co. IV Associates, L.P., MDC Management Company IV, LLC, Delta Fund LLC, Cornerstone Family Services LLC, CFSI LLC, StoneMor Partners L.P., StoneMor GP LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.20.2*	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).
10.21*	Contribution, Conveyance and Assumption Agreement by and among StoneMor Partners L.P., StoneMor GP LLC, CFSI LLC, StoneMor Operating LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for its quarterly period ended September 30, 2004).
10.22	Director compensation.
21.1	Subsidiaries of Registrant.
23.1	Consent of Deloitte & Touche LLP
31.1	Certification pursuant to Exchange Act Rule 13a-14(a) of Lawrence Miller, Chief Executive Officer President and Chairman of the Board of Directors.
31.2	Certification pursuant to Exchange Act Rule 13a-14(a) of William R. Shane, Executive Vice President and Chief Financial Officer.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of Lawrence Miller, Chief Executive Officer, President and Chairman of the Board of Directors (furnished herewith).

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- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and Exchange Act Rule 13a-14(b) of William R. Shane, Executive Vice President and Chief Financial Officer (furnished herewith).
- 99.1* Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 20, 2004 (incorporated by reference to Exhibit 99.1 of Registrant's Current Report on Form 8-K filed on September 19, 2007).
- 99.2* First Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of September 14, 2007 (incorporated by reference to Exhibit 99.2 of Registrant's Current Report on Form 8-K filed on September 19, 2007).
- 99.3* Second Amendment to the Amended and Restated Limited Liability Company Agreement of StoneMor GP LLC, dated as of December 18, 2007 (incorporated by reference to Exhibit 99.2 of Registrant's Current Report on Form 8-K filed on December 28, 2007).

* Incorporated by reference, as indicated
Management contract, compensatory plan or arrangement