

STONEMOR PARTNERS LP  
Form 10-Q  
May 10, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2011

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 000-50910

**STONEMOR PARTNERS L.P.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**311 Veterans Highway, Suite B**  
**Levittown, Pennsylvania**  
(Address of principal executive offices)

**80-0103159**  
(I.R.S. Employer  
Identification No.)

**19056**  
(Zip Code)

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

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

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

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

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**Table of Contents****Part I Financial Information****Item 1. Financial Statements****StoneMor Partners L.P.****Condensed Consolidated Balance Sheets**

(in thousands)

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

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Commitments and Contingencies

<b>Partners' capital</b>		
General partner	3,572	1,809
Common partners	214,075	126,383
Total partners' capital	217,647	128,192
Total liabilities and partners' capital	\$ 1,193,487	\$ 1,147,119

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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

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

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Total income tax expense (benefit)	(804)	(500)
<b>Net income (loss)</b>	\$ (7,214)	\$ 5,895
General partner's interest in net income (loss) for the period	\$ (144)	\$ 118
Limited partners' interest in net income (loss) for the period	\$ (7,070)	\$ 5,777
Net income (loss) per limited partner unit (basic and diluted)	\$ (.40)	\$ .43
Weighted average number of limited partners' units outstanding (basic and diluted)	17,709	13,385

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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

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

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.



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

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

<b>Net increase (decrease) in cash and cash equivalents</b>	19,959	(399)
<b>Cash and cash equivalents - Beginning of period</b>	7,535	13,479
<b>Cash and cash equivalents - End of period</b>	\$ 27,494	\$ 13,080

**Supplemental disclosure of cash flow information**

Cash paid during the period for interest	\$ 1,472	\$ 3,177
Cash paid during the period for income taxes	\$ 87	\$ 280

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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

#### **Basis of Presentation**

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

#### **Principles of Consolidation**

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

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

#### **Use of Estimates**

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

**Table of Contents****2. LONG-TERM ACCOUNTS RECEIVABLE, NET OF ALLOWANCE**

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

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

Activity in the allowance for contract cancellations is as follows:

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

**3. CEMETERY PROPERTY**

Cemetery property consists of the following:

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

**Table of Contents****4. PROPERTY AND EQUIPMENT**

Major classes of property and equipment follow:

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

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

**5. MERCHANDISE TRUSTS**

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

Money Market Funds that invest in low risk short term securities;

Publicly traded mutual funds that invest in underlying debt securities;

Publicly traded mutual funds that invest in underlying equity securities;

Equity investments that are currently paying dividends or distributions. These investments include Real Estate Investment Trusts (REITs); Master Limited Partnerships and global equity securities;

Fixed maturity debt securities issued by various corporate entities;

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

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

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

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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.

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

As of March 31, 2011	Cost	Gross Unrealized Gains (in thousands)	Gross Unrealized Losses (in thousands)	Fair Value
Short-term investments	\$ 27,984	\$	\$	\$ 27,984
Fixed maturities:				
U.S. Government and federal agency				
U.S. State and local government agency	23			23
Corporate debt securities	10,050	58	(75)	10,033
Other debt securities	2,461			2,461
<b>Total fixed maturities</b>	<b>12,534</b>	<b>58</b>	<b>(75)</b>	<b>12,517</b>
Mutual funds - debt securities	67,184	2,275	(493)	68,966
Mutual funds - equity securities	128,823	6,726	(2,576)	132,973
Equity securities	72,183	6,444	(1,058)	77,569
Other invested assets	13,210		(1,280)	11,930
<b>Total</b>	<b>\$ 321,918</b>	<b>\$ 15,503</b>	<b>\$ (5,482)</b>	<b>\$ 331,939</b>
As of December 31, 2010	Cost	Gross Unrealized Gains (in thousands)	Gross Unrealized Losses (in thousands)	Fair Value
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
<b>Total fixed maturities</b>	<b>11,499</b>	<b>154</b>	<b>(152)</b>	<b>11,501</b>
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
<b>Total</b>	<b>\$ 307,011</b>	<b>\$ 16,610</b>	<b>\$ (5,303)</b>	<b>\$ 318,318</b>

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

As of March 31, 2011	Less than 1 year	1 year through 5 years	6 years through 10 years	More than 10 years
			(in thousands)	

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U.S. Government and federal agency	\$	\$	\$	\$
U.S. State and local government agency	23			
Corporate debt securities		8,652	1,381	
Other debt securities	2,461			
<b>Total fixed maturities</b>	<b>\$ 2,484</b>	<b>\$ 8,652</b>	<b>\$ 1,381</b>	<b>\$</b>

<b>As of December 31, 2010</b>	<b>Less than 1 year</b>	<b>1 year through 5 years</b>	<b>6 years through 10 years</b>	<b>More than 10 years</b>
		(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			
<b>Total fixed maturities</b>	<b>\$ 1,623</b>	<b>\$ 2,910</b>	<b>\$ 6,064</b>	<b>\$ 904</b>



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

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

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

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

**Three months ended March 31, 2011**

Fair Value @ 12/31/2010	Contributions	Distributions	Interest/Dividends	Capital Gain Distributions	Realized Gain/Loss	Taxes	Fees	Unrealized Change in Fair Value	Fair Value @ 3/31/2011
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(in thousands)

\$ 318,318	15,110	(7,079)	1,370	15	5,998	(4)	(503)	(1,286)	\$ 331,939
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The Company made net deposits into the trusts of approximately \$8.0 million during the three months ended March 31, 2011. During the three months ended March 31, 2011, purchases and sales of securities available for sale included in trust investments were approximately \$144.1 million and \$136.7 million, respectively. Contributions included \$0.9 million of assets that were acquired through acquisitions during the three months ended March 31, 2011.

### **Other-than-temporary Impairments of Trust Assets**

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

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During the three months ended March 31, 2010, the Company determined that there was a single security, with an aggregate cost basis of approximately \$0.3 million, an aggregate fair value of less than \$0.1 million and a resulting impairment of value of approximately \$0.2 million, wherein such impairments were considered to be other-than-temporary. Accordingly, the Company adjusted the cost basis of this asset to its current value and offset this change against deferred revenue. This reduction in deferred revenue will be reflected in earnings in future periods as the underlying merchandise is delivered or the underlying service is performed.

**6. PERPETUAL CARE TRUSTS**

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

Money Market Funds that invest in low risk short term securities;

Publicly traded mutual funds that invest in underlying debt securities;

Publicly traded mutual funds that invest in underlying equity securities;

Equity investments that are currently paying dividends or distributions. These investments include 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 the Investments in Debt and Equity topic of the ASC. Accordingly, all of the assets are carried at fair value. All of these investments are considered to be either Level 1 or Level 2 assets as defined by the Fair Value Measurements and Disclosures topic of the ASC. At March 31, 2011, approximately 90.6% of these assets were Level 1 investments while approximately 9.4% were Level 2 assets. There were no Level 3 assets.

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

As of March 31, 2011	Cost	Gross Unrealized Gains (in thousands)	Gross Unrealized Losses (in thousands)	Fair Value
Short-term investments	\$ 16,353	\$	\$	\$ 16,353
Fixed maturities:				
U.S. Government and federal agency	515	93		608
U.S. State and local government agency	67	81		148
Corporate debt securities	22,696	490	(114)	23,072
Other debt securities	371			371
<b>Total fixed maturities</b>	<b>23,649</b>	<b>664</b>	<b>(114)</b>	<b>24,199</b>
Mutual funds - debt securities	58,785	4,020	(557)	62,248
Mutual funds - equity securities	94,395	7,055	(1,478)	99,972
Equity Securities	44,097	9,631	(92)	53,636
Other invested assets	633	126	(140)	619
<b>Total</b>	<b>\$ 237,912</b>	<b>\$ 21,496</b>	<b>\$ (2,381)</b>	<b>\$ 257,027</b>
As of December 31, 2010	Cost	Gross Unrealized Gains (in thousands)	Gross Unrealized Losses (in thousands)	Fair Value
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
<b>Total fixed maturities</b>	<b>23,138</b>	<b>1,045</b>	<b>(235)</b>	<b>23,948</b>
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
<b>Total</b>	<b>\$ 234,342</b>	<b>\$ 19,167</b>	<b>\$ (3,819)</b>	<b>\$ 249,690</b>

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

As of March 31, 2011	Less than 1 year	1 year through 5 years	6 years through 10 years (in thousands)	More than 10 years
U.S. Government and federal agency	\$ 102	\$ 389	\$ 117	\$
U.S. State and local government agency	148			
Corporate debt securities	76	19,236	3,760	
Other debt securities	371			
<b>Total fixed maturities</b>	<b>\$ 697</b>	<b>\$ 19,625</b>	<b>\$ 3,877</b>	<b>\$</b>

  

As of December 31, 2010	Less than 1 year	1 year through 5 years	6 years through 10 years (in thousands)	More than 10 years
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			
<b>Total fixed maturities</b>	<b>\$ 1,051</b>	<b>\$ 6,758</b>	<b>\$ 14,783</b>	<b>\$ 1,356</b>

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

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

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As of December 31, 2010	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(in thousands)			
<b>Fixed maturities:</b>						
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
<b>Total fixed maturities</b>	<b>9,332</b>	<b>146</b>	<b>1,196</b>	<b>89</b>	<b>10,528</b>	<b>235</b>
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
<b>Total</b>	<b>\$ 12,471</b>	<b>\$ 380</b>	<b>\$ 52,268</b>	<b>\$ 3,439</b>	<b>\$ 64,739</b>	<b>\$ 3,819</b>

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

**Three months ended March 31, 2011**

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

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

**Other-than-temporary Impairments of Trust Assets**

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

**7. DERIVATIVE INSTRUMENTS**

On November 24, 2009, the Company entered into an interest rate swap (the First Interest Rate Swap) wherein the Company agreed to pay the counterparty interest in the amount of three month LIBOR plus 888 basis points in consideration for the counterparties agreement to pay the Company a fixed rate of interest of 10.25% on a principal amount of \$108.0 million. On December 4, 2009, the Company entered into an interest rate swap (the Second Interest Rate Swap), together with the First Interest Rate Swap, the Interest Rate Swaps) wherein the Company agreed to pay the counterparty interest in the amount of three month LIBOR plus 869 basis points in consideration for the counterparties agreement to pay the Company a fixed rate of interest of 10.25% on a principal amount of \$27.0 million.

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

ended March 31, 2010. The Interest Rate Swaps were terminated in October of 2010.

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

The Company had the following outstanding debt:

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

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

**10.25% Senior Notes due 2017***Purchase Agreement*

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