

**Frequently Asked Questions about the Proposed  
60 Year Lease and Management Agreement  
Between  
The Archdiocese of Philadelphia  
And  
StoneMor L.P. Related Entities  
Pertaining to Archdiocesan Cemeteries**

1. Why does the notice the Archdiocese provided refer to a court hearing? Is there a legal dispute regarding the cemeteries that required a hearing?

The answer to the second question is “no”. The reason there is a hearing scheduled is because the Archdiocese is a non-profit religious entity and under Pennsylvania law, certain actions by non-profits are subject to review by the Commonwealth of Pennsylvania’s Attorney General’s Office and the Orphans’ Court. This is why the petition regarding the proposed arrangement was filed with the Orphans’ Court. The Attorney General’s office has already issued a letter of “non objection.” The Orphans’ Court will issue its decision after the January 6, 2014 hearing.

2. What cemeteries will be included?

Thirteen (13) cemeteries are included:

- Cathedral Cemetery, Philadelphia
- New Cathedral Cemetery, Philadelphia
- Holy Sepulchre Cemetery, Cheltenham Township (Montgomery County)
- All Souls Cemetery, Coatesville (Chester County)
- Calvary Cemetery, West Conshohocken (Montgomery County)
- Holy Cross Cemetery, Yeadon (Delaware County)
- Saint Michael Cemetery, Chester (Delaware County)
- Saints Peter and Paul Cemetery, Springfield (Delaware County)
- Immaculate Heart of Mary Cemetery, Linwood (Delaware County)
- Resurrection Cemetery, Bensalem (Bucks County)
- Saint John Neumann Cemetery, Chalfont (Bucks County)
- All Saints Cemetery, Newtown (Bucks County)
- Holy Savior Cemetery, Penn Township (Chester County)

3. Will Parish cemeteries be affected?

No. Parish cemeteries will not be affected as they are operated at the local parish level. The Archdiocese will continue to provide guidance to the parishes that maintain cemeteries.

4. Will the cemeteries remain Catholic cemeteries?

Yes. Although there will be a change in management, the terms of the agreements mandate that the cemeteries will continue to operate as Catholic cemeteries and carry out the sacred duty of

providing dignified Catholic burials for the beloved faithful departed, and will remain a Catholic burial place continuing all of the current practices.

5. We heard that companies like StoneMor allow non-Catholics to be buried in Catholic cemeteries. Will that be the case in our Catholic cemeteries?

Again, although there will be a change in management, the agreements provide that the cemeteries will continue to operate as Catholic cemeteries and carry out the sacred duty of providing dignified Catholic burials for the beloved faithful departed, and will remain a Catholic burial place continuing all of the current practices. Historically, the Archdiocese has allowed the burial of Christians who are not Catholic in its cemeteries under certain circumstances.

Many major dioceses currently allow for the burial of Christians who are not Catholic. The arrangement allows for StoneMor, after two years, to permit Christian burials provided that consent is granted by of the Archdiocese of Philadelphia.

6. Explain the nature of this deal. It sure sounds like you're selling the cemeteries since you're receiving an upfront payment of \$53 million.

This arrangement is both a 60-year lease and a 60 year management agreement involving 13 Archdiocesan cemeteries – it is not a sale. The 13 Catholic cemeteries will continue to be owned by the Archdiocese of Philadelphia and will now be managed by StoneMor.

7. Why was the Archdiocese pursuing an arrangement regarding the cemeteries in the first place?

You will recall from the release of various announcements from the Archdiocese over the last year, including the publication of financial statements and information regarding operating deficits and significant balance sheet issues, that major steps were needed in order to begin to stabilize Archdiocesan finances. Prior actions have already been taken to restore the financial foundation of our church such as the sale of the Archbishop's residence on City Line in Philadelphia and the Archdiocese's property in Ventnor, New Jersey. Other actions included the layoff of 25% of the work force at the Archdiocesan Pastoral Center. (Cemetery employees will be protected – see no. 12 below). This proposed arrangement with StoneMor is another step in the direction of stabilizing the financial condition of the Archdiocese. Keep in mind that parish finances are separate from the Archdiocese and maintained at the local level and the Archdiocese will not be balancing its financial issues at the expense of the parishes.

The upfront lease payment will provide the Archdiocese of Philadelphia with necessary funds to help re-build and restore a solid financial foundation for our future, which is why the agreement has been structured in this way.

8. If the Archdiocese needs money, why doesn't it just get it from the Vatican in Rome instead of entering into this arrangement with StoneMor?

Each diocese is expected to stand on its own financially and, as has been seen with other dioceses across the United States within the past few years, the Vatican is not obligated to nor expected to step in to resolve the financial issues of individual dioceses.

9. Besides the upfront payment, what are the other key points of the arrangement?

- The Archdiocese will retain its current perpetual care fund (approximately \$29.9 million as of June 30, 2012) and all future earnings.
- StoneMor will be responsible for providing perpetual care, at its cost, over the term of the arrangement and will also be responsible for establishing a perpetual care fund for all burial spaces it sells.
- All current permanent Archdiocesan cemetery employees will be offered employment by StoneMor (see below for further details).
- Proceeds from any future land sales will be shared 51% to the Archdiocese and 49% to StoneMor.
- While it is expected that the agreement will run through its term, both parties can terminate for cause and the Archdiocese can terminate without cause during the 11<sup>th</sup> year of the arrangement. The financial implications for each early termination scenario are covered in the lease.

10. What are the exact terms of the arrangement?

Upon closing, which is expected to occur in the first quarter of 2014, StoneMor will provide an initial lease payment of \$53 million to the Archdiocese. It is expected that \$30 million from the initial payment will be used to lessen the previously disclosed shortfall of \$80 million in the Trust and Loan Fund. The balance will be used for shortfalls in risk insurance reserve funding and the priests' pension plan shortfall. The lease also calls for annual lease payments as follows:

- Years 6-20: annual lease payment of \$1,000,000
- Years 21-25: annual lease payment of \$1,200,000
- Years 26-35: annual lease payment of \$1,500,000

11. What impact will this lease have on the Archdiocese?

This strategic, first-of-its-kind arrangement is the latest in a series of actions taken by the Archdiocese of Philadelphia to help restore a solid financial foundation. It is part of the ongoing Archdiocesan effort to build the strongest possible Catholic Church in Philadelphia—one that will be sustainable now and far into the future.

12. What will happen to the cemetery employees?

All current full-time staff members of the Catholic cemeteries will be offered employment by StoneMor in their current roles. As part of the arrangement, these employees are provided protection for a period of two years at their current pay scale. They will also receive health benefits comparable to what is currently provided by the Archdiocese. Additionally, years of service will be taken into account when determining the accrual of vacation time.

13. What will change at the cemeteries?

Nothing significant will change except for the fact that StoneMor, a local company and the nation's second largest owner and operator of cemeteries, will be managing and operating the properties. The names of the cemeteries will remain the same. The cemeteries will continue to carry out the sacred duty of providing dignified Catholic burials for the beloved faithful departed, and will remain Catholic burial places continuing all of the current practices.

14. Isn't burying the dead a core ministry of the Church? How can you consider selling them to a non-church entity?

It is important to note that we are not selling the cemeteries. We have signed a long-term lease and management agreement with StoneMor to manage our cemeteries, but they will still be owned by the Archdiocese. Pursuant to the terms of the arrangement, cemeteries will continue to carry out the sacred duty of providing dignified Catholic burials for the beloved faithful departed, and will remain Catholic burial places continuing all of the current practices.

15. What is next in the Archdiocese's plans to stabilize its financial conditions?

As we have disclosed in our financial reports, the Archdiocese still has much to do to stabilize our financial situation. We are looking at areas of potential cost savings and we will continue to evaluate opportunities to monetize or sell assets that will allow us to strengthen our financial situation.

16. Who is StoneMor?

The performance of all obligations to the Archdiocese under the arrangement are guaranteed by StoneMor Partners L.P., headquartered in Levittown (Bucks County). StoneMor is an owner and operator of cemeteries and funeral homes in the United States, with 277 cemeteries and 92 funeral homes in 28 states and Puerto Rico. StoneMor's cemetery products and services, which are sold on both a pre-need (before death) and at-need (at death) basis, include: burial lots, lawn and mausoleum crypts, burial vaults, caskets, memorials, and all services that provide for the installation of this merchandise.

For additional information about StoneMor Partners L.P., please visit StoneMor's website, and the Investor Relations section, at [www.stonemor.com](http://www.stonemor.com).

17. I see that StoneMor is a publicly traded, for-profit company. How does their approach resonate with the ministry and responsibility of the Catholic Church of perpetual care?

It is StoneMor's mission to memorialize every life with dignity. It has extensive experience in this industry. It is also important to remember that StoneMor will be operating and managing the 13 Catholic cemeteries for the Archdiocese, which retains ownership of the cemeteries.

This long-term lease agreement represents a change in management. We expect no perceptible change for visitors to the cemeteries or individuals seeking to provide burial space for themselves or their loved ones. As required by the arrangement, our cemeteries will continue to

carry out the sacred duty of providing dignified Catholic burials for the beloved faithful departed, and will remain Catholic burial places continuing all of the current practices.

18. Have other dioceses sold or leased their cemeteries?

Not all dioceses operate Catholic cemeteries and some do use outside management firms like StoneMor to manage certain aspects of their day-to-day operations. This arrangement is unique but it ensures that our cemeteries are managed in a way that allows them to continue to carry out the sacred duty of providing dignified Catholic burials for the beloved faithful departed, while also providing the Archdiocese with the funds necessary to build and restore a solid financial foundation for our future.

In recent years, StoneMor has operated cemeteries for the Archdiocese of Detroit for a short period of time. StoneMor did not pay any upfront amounts in that transaction and that arrangement was much different from what is contemplated in Philadelphia. Representatives from the Archdiocese did speak with representatives from the Archdiocese of Detroit as part of the Archdiocese's due diligence process.

19. What if the Archdiocese is not happy with the way StoneMor is running our cemeteries?

This arrangement was not arrived at lightly. We conducted extensive due diligence. We visited StoneMor properties and we have had a very open, cooperative and transparent process together with StoneMor in establishing this unique arrangement. As with any agreements of this magnitude, both parties have built in protocols for terminating the agreements, in the remote case that it becomes necessary. While it is expected that the agreements will run for the full 60 years, both parties can terminate for cause and the Archdiocese can terminate without cause during the 11th year of the arrangement. The financial implications for each early termination scenario are covered in the agreements.

20. If you already own a plot in a diocesan cemetery, will your plot be affected?

No. The financial arrangement you previously agreed to, including perpetual care payments, will not change nor will the location of your plot.

21. Will the cemeteries still maintain 501(c)(3) tax-exempt status?

It is important to note that we are not selling the cemeteries and they will retain their 501(c)(3) status.

22. I saw in the Archdiocese financial statements that the cemeteries have been losing money – last year's loss was several million dollars. Why is StoneMor paying so much money?

StoneMor is the nation's second largest owner and operator of cemeteries in the nation. It has experience in maintaining the long-term viability of cemetery properties. StoneMor expects to be able to do the same in this instance and to bring its expertise in offering and managing pre-need planning for families. StoneMor has been successful to date in stabilizing cemetery properties that are new to its portfolio, and it anticipates a continuation of that trend here.

23. Will StoneMor be growing revenues by raising prices?

As stated above, the existing plot owners' contractual rights will not change. Exposure to price increases for services such as grave openings will not change as the Archdiocese could change those prices whether or not it enters into this arrangement. Nevertheless, StoneMor has indicated in public statements that it does not plan any price increases as a result of the transaction.

24. Will StoneMor continue the practice of providing free burials for indigent persons?

Yes. StoneMor has agreed to provide 300 such burials per year. StoneMor has also agreed to provide free burials for priests from the Archdiocese.

25. Once StoneMor begins to operate the cemeteries, who will respond to letters, phone calls, and other inquiries from clergy, funeral directors, monument dealers, lot owners and the general public?

StoneMor will have the necessary personnel in place to provide information and respond to the questions and needs of these parties. StoneMor's hiring of the Archdiocesan Cemetery employees should help create a smooth transition.

26. Will StoneMor continue to have open lines of communication with Chancery, Office for Worship, Office for Communications, as well as other Archdiocesan entities?

It is important to emphasize that while this will be a change in management, there will be no perceptible change for visitors to the cemeteries or individuals seeking to provide burial space for themselves or their loved ones. All 13 Catholic cemeteries will continue to be owned by the Archdiocese throughout the term of the lease.

Communication will indeed remain open between the Archdiocese and StoneMor to ensure that our cemeteries continue to carry out the sacred duty of providing dignified Catholic burials for the beloved faithful departed, and will remain a Catholic burial place continuing all of the current practices.

Communications between our two organizations have been very open, cooperative and transparent throughout the process of arriving at this arrangement and we fully expect that to be the case as we move forward. In fact, the lease provides for the establishment of a Joint Advisory Committee for the cemeteries comprised of three representatives designated by the Archdiocese and three designated by StoneMor.