TDT DEVELOPMENT INC
Form SB-2/A
April 30, 2001

As filed with the Securities and Exchange Commission on April 27, 2001

Registration Statement No. 333-54822

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

PRE-EFFECTIVE AMENDMENT NUMBER 3
TO
FORM TO SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TDT DEVELOPMENT, INC.
(Name of small business issuer in its charter)

Nevada	2000	22-3762835
(State of incorporation or jurisdiction of organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1844 SW 16th Terrace
Miami, Florida 33145
(305) 860-9913
(Address and telephone number of principal executive offices)

Pietro Bortolatti
President and Chief Executive Officer
TDT Development, Inc.
1844 SW 16th Terrace
Miami, Florida 33145
(305) 860-9913
(Name, address and telephone number of agent for service)

Copies of all communications, including all communications sent to
the agent for service, should be sent to:
Adam S. Gottbetter, Esq.
Kevin F. Barrett, Esq.
Kaplan Gottbetter & Levenson, LLP
630 Third Avenue
New York, New York 10017
(212) 983-6900

Approximate date of proposed sale to the public: From time to time after the effective date of the registration statement until such time that all of the shares of common stock registered hereunder have been sold.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. |X|

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check and following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. |_|

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Agg Offering Pr
Shares of Common Stock	3,381,000	$.10	$338,1
Total			$338,1
Amount Due			

(1) Estimated for purposes of computing the registration fee pursuant to Rule 457.

The registrant hereby amends the registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that the registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell, nor does it seek an offer to buy, these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION. DATED ,2001.

PROSPECTUS

TDT DEVELOPMENT, INC.

3,381,000 Shares of Common Stock

This prospectus relates to the resale by the selling stockholders of 3,381,000 shares of our common stock. The selling stockholders may sell the shares from time to time at the prevailing market price or in negotiated transactions.

We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

As you review this prospectus, you should carefully consider the matters described in "Risk Factors" beginning on page 4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is ,2001

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You may rely only on the information contained in this prospectus. We have not authorized anyone to provide information different from that contained in this prospectus. Neither the delivery of this prospectus nor sale of common stock means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of any offer to buy these shares of common stock in any circumstances under which the offer or solicitation is unlawful.

PROSPECTUS SUMMARY

We import and distribute through our wholly owned subsidiary Terre di Toscana, Inc. specialized truffle based food products which includes fresh truffles, truffle oils, truffle pates, truffle creams, and truffle butter. We presently generate revenues primarily from sales to restaurants.

TDT Development, Inc., is a newly-formed company, Terre di Toscana, Inc. our wholly-owned subsidiary, was owned substantially by our founder, and President, Pietro Bortolatti. Mr. Bortolatti has personally financed TDT since its inception on September 8, 2000. In order to gain further funding, TDT acquired Terre Di Toscana and sold 3,381,000 shares of our common stock is a private placement offering. Mr. Bortolatti owns an aggregate of 5,000,000 shares out of 8,381,000 shares outstanding.

The Offering

Shares offered by the selling stockholders	3,381,000
Common stock outstanding.....	8,381,000
Use of proceeds.....	The selling stockholders will receive the net proceeds from the sale of shares. We will receive none of the proceeds from the sale of shares offered by this prospectus.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below before you purchase any of our common stock. These risks and uncertainties are not the only ones we face. Unknown additional risks and uncertainties, or ones that we currently consider immaterial, may also impair our business operations.

If any of these risks or uncertainties actually occur, our business, financial condition or results of operations could be materially adversely affected. In this event you could lose all or part of your investment.

Risks Concerning Our Business

We started our operations in January 2000, therefore our limited operating history makes it difficult to evaluate our financial performance and prospects.

We are a new enterprise that has a short operating history upon which an evaluation of our business and prospects can be based. We must, therefore, be considered to be subject to all of the risks inherent in the establishment of a new business enterprise, including the prospective development and marketing costs, along with the uncertainties of being able to effectively market our products. We cannot assure you at this time that we will operate profitably or that we will have adequate working capital to meet our obligations as they become due. Because of our limited financial history, we believe that period-to-period comparisons of our results of operations will not be meaningful in the short term and should not be relied upon as indicators of future performance.

We are dependent upon Mr. Bortolatti, any reduction in his role in TDT would have a material adverse effect.

The success of TDT is dependent on the vision, culinary knowledge, business relationships and abilities of TDT's founder, CEO and president Pietro Bortolatti. Any reduction of Mr Bortolatti's role in the business would have a material adverse effect on TDT. TDT does not have an employment contract with Mr. Bortolatti.

We may have difficulty in obtaining additional funding, if required.

Although we believe that the funds to be raised through our most recent private placement offering of common stock will be sufficient for our needs for the next twelve months, if additional funds are needed, we may have difficulty obtaining them, and we may have to accept terms that would adversely affect our shareholders. For example, the terms of any future financings may impose restrictions on our right to declare dividends or on the manner in which we

conduct our business.

Also, lending institutions or private investors may impose restrictions on future decisions by us to make capital expenditures, acquisitions or asset sales.

We may not be able to locate additional funding sources at all or on acceptable terms. If we cannot raise funds on acceptable terms, if and when needed, we may not be able to develop or enhance our products to customers, grow our business or respond to competitive pressures or unanticipated requirements, which could seriously harm our business.

We are dependent on foreign sources for our products, any interruption in these sources would have a material adverse effect on our business.

All TDT products are imported from Italy, some fresh that must be air freighted and others that require refrigeration. Any interruption in this delivery process or reduction of quality in products delivered would have a material adverse effect upon TDT.

Any rejection or quarantine of our products by regulatory agencies would have a material adverse effect upon our business.

The products are processed perishable and fresh agricultural products, which must be cleared by U.S. Customs and FDA agencies for distribution in the U.S. The fresh products are subject to inspection (and rejection or quarantine) at any time by such agencies whether en route, in inventory or at shelf. Since many of the products are of a fresh and perishable nature, special handling, storage and distribution capabilities are required throughout the distribution process. Any rejection or quarantine of our products by such agencies would have a material adverse effect upon our business.

We may not be able to successfully manage our business or achieve profitability.

We expect that our sales, marketing, operations and administrative expenses will increase in the future. As a result, we will need to generate significant revenues to achieve and maintain profitability. We cannot be certain that we will achieve or sustain positive cash flow or profitability

from our operations. Our ability to achieve our objectives is subject to financial, competitive, regulatory, legal and other factors, many of which are beyond our control.

Larger and better funded competition may make it difficult for TDT to succeed.

There are many competitors in the truffle market which are larger and better funded than TDT. One major competitor is Urbani USA, the largest distributor of truffles and caviar in the US. These competitors could make it very difficult for TDT to succeed.

Because we sell food products, we face the risk of exposure to product liability claims.

TDT, like any other seller of food, faces the risk of exposure to product

liability claims in the event that the use of products sold by it causes injury or illness. With respect to product liability claims, if TDT does not have adequate insurance or contractual indemnification available, product liability relating to defective products could materially reduce TDT's net income and earnings per share.

Because TDT does not control the actual production of truffles, TDT may be unable to obtain adequate supplies of its products.

TDT obtains all of its food service products from other suppliers. Although TDT's purchasing volume can provide leverage when dealing with suppliers, suppliers may not provide the food service products and supplies needed by TDT in the quantities requested. Because TDT does not control the actual production of its products, it is also subject to delays caused by interruption in production based on conditions outside its control. These conditions include:

- job actions or strikes by employees of suppliers;
- weather;
- crop conditions;

- transportation interruptions; and
- natural disasters or other catastrophic events.

TDT's inability to obtain adequate supplies of its food service products as a result of any of the foregoing factors or otherwise, could mean that TDT could not fulfill it obligations to customers, and customers may then turn to other suppliers.

If TDT is unable to develope an easy to use and effective website then TDT's plan to distribute directly to individual consumers will be severely impacted and this will have a material adverse effect upon TDT's business.

The successful development of an easy to use and effective website will be key to the overall success of TDT's plan to distribute our products to individual consumers. It will be critical to clearly communicate our products and services, and provide an easy format for the customer to navigate in the site to quickly find the product they seek. If TDT is unable to develop an easy to use effective web site then TDT's plan to distribute directly to the individual consumers will be severely impacted and this will have a material adverse impact upon TDT's business.

Our Lack of Product Diversification

TDT's business is centered around essentially one product, truffles. This creates a risk to TDT if truffles became less popular to the consumer or if there was some reduction in our access to the supply of truffles, either event would have seriously detrimental effect upon TDT.

Risks Concerning Our Offering

Unless a public market develops for our common stock, you may not be able to sell your shares.

There has been no public market for our common stock. There can be no assurance,

moreover, that an active trading market will ever develop or, if developed, that it will be maintained. Failure to develop or maintain an active trading market could negatively affect the price of our securities, and you may be unable to sell your shares.

If our stock does become publicly traded, we will likely be subject to the penny stock rules.

Broker-dealer practices in connection with transactions in "penny stocks" are regulated by certain rules adopted by the Securities and Exchange Commission. Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the Nasdaq Stock Market provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The rules require that a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in connection with the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the rules generally require that prior to a transaction in a penny stock, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the liquidity of penny stocks. If our securities become subject to the penny stock rules, investors in the offering may find it more difficult to sell their securities.

We may not qualify for Bulletin Board Inclusion, and therefor you may be unable to sell you shares.

We anticipate that, upon completion of this offering, our common stock will be eligible for quotation on the NASD Over-the-Counter Electronic Bulletin Board. If for any reason, however, any of our securities are not eligible for continued quotation on the Bulletin Board or a public trading market does not develop, purchasers of the shares may have difficulty selling their securities should they desire to do so. If we are unable to satisfy the requirements for quotation on the Bulletin Board, any trading in our common stock would be conducted in the over-the-counter market in what are

commonly referred to as the "pink sheets". As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the price of, the securities offered hereby. The above-described rules may materially adversely affect the liquidity of the market for our securities.

We are controlled by our founder, president, CEO and chairman of the board, which may result in you having no control in the direction or affairs of TDT.

Our founder, president, CEO and chairman of the board owns approximately 60% of our outstanding common stock. As a result, he has the ability to control our company and direct our affairs and business, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control of our company and may make some transactions more difficult or impossible without the support of these stockholders. Any of these events could decrease the market price of our common stock.

We Do Not Expect to Pay Dividends.

We do not anticipate paying cash dividends in the foreseeable future.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains certain financial information and statements regarding our operations and financial prospects of a forward-looking nature. Although these statements accurately reflect management's current understanding and beliefs, we caution you that certain important factors may affect our actual results and could cause such results to differ materially from any forward-looking statements which may be deemed to be made in this Prospectus. For this purpose, any statements contained in this Prospectus which are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as, "may", "will", "intend", "expect", "believe", "anticipate", "could", "estimate", "plan" or "continue" or the negative variations of those words or comparable terminology are intended to identify forward-looking statements. There can be no assurance of any kind that such forward-looking information and statements will be reflective in any way of our actual future operations and/or financial results, and any of such information and statements should not be relied upon either in whole or in part in connection with any decision to invest in the shares.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the stockholder's shares offered by this prospectus. All proceeds from the sale of the stockholders' shares will be for the account of the selling shareholders.

CAPITALIZATION

The following table sets forth our capitalization as of January 31, 2001.

	January 31, 2001
Long-term debt	$ --
Stockholders' equity:	
Common stock, $.0001 par value; authorized 50,000,000 shares, issued and outstanding 8,381,000 shares;	838
Preferred stock, $.0001 par value; authorized 5,000,000 shares, issued and outstanding -0-	--
Additional paid-in capital	305,707
Accumulated deficit as of January 31, 2001	(48,078)
Total stockholders' equity	235,209
Total capitalization	$285,302

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We import and distribute through our wholly owned subsidiary Terre di Toscana,

Inc. specialized truffle based food products which includes fresh truffles, truffle oils, truffle pates, truffle creams, and truffle butter. TDT commenced operations on September 8, 2000. Terre di Toscana, Inc. was acquired by TDT on September 14, 2000. This acquisition was a reorganization of entities under common control and was accounted for at historical cost in a manner similar to a pooling of interests. Terre di Toscana, Inc. was incorporated on November 10, 1999 and commenced operation in January, 2000.

Plan of Operations

TDT's plan of operations includes building its account base and building its website. TDT plans to further expand sales to restaurants and hotels. This effort will be lead by Mr. Bortolatti. Efforts include compilation of a list of 25,000 hotels and restaurants. In April 2001 TDT began a direct mailing advertising campaign to 20,000 of these hotels and restaurants. The budget for this direct mailing is approximately $7,500.

During fiscal year 2000, TDT produced approximately $90,000 in revenues with Truffle oils representing approximately 70% of sales, Truffle sauces approximately 15% of sales, and all other products the balance.

There is little or no seasonal or price impact upon the majority of TDT's products (oils, creams, butters, and sauces) because these are processed foods with a small percentage of the end product comprised of the pure essence of the base product, truffles.

The website was developed primarily by contract labor with TDT staff building the databases and providing design direction at a total development cost of approximately $6,000. Since this was not a significant outlay, the item was expensed. There have been no sales generated by TDT's website. TDT anticipates sales through the website in December 2001.

TDT believes that based on the current level of sales, and the current working capital in the business and the terms of sale with our suppliers that we will not need to raise additional funds in the next twelve months. Our suppliers require 25% of the cost of an order when the order is placed and the balance 90 days later. TDT believes that its strategy to focus on restaurants and hotels will further improve its capital position and cash flow due to the fact that these accounts pay by credit card, providing immediate payment. TDT's marketing programs to reach these potential customers include direct mail and telemarketing. Within the next twelve months TDT plans to hire two telemarketers and one distribution person to handle Internet sales. These three positions will each have salaries of approximately $15,000 per year. Additionally, the two telemarketers will earn approximately 2% of the sales that they generate. TDT believes that the additional costs to staff those positions will be covered by the sales generated and the resulting profitability from these sales.

The $55,000 debt to Kaplan Gottbetter & Levenson, LLP, for legal services, will be paid off from proceeds from the private placement offering conducted last winter.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. We anticipate that any earnings will be retained for development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Our board of directors has sole discretion to pay cash dividends based on our financial condition, results of operations, capital requirements, contractual obligations and other relevant factors.

DESCRIPTION OF BUSINESS

Corporate History

TDT was incorporated under the laws of Nevada on September 8, 2000. Our current operations are conducted through our wholly owned subsidiary Terre di Toscana, Inc., incorporated under the laws of Florida on November 10, 1999. Terre di Toscana Inc. began operations in January, 2000. TDT has had limited operations to date.

On September 14, 2000 TDT acquired all of the outstanding shares of Terre di Toscana, Inc. in exchange for 5,000,000 shares of TDT's common stock issued to Terre di Toscana, Inc.'s sole shareholder Pietro Bortolatti, who is also TDT's president, CEO, secretary, treasurer and Chairman of the Board of Directors. This transaction was a reorganization of entities under common control accounted for at historical in a manner similar to a pooling of interests.

Overview

TDT is an importer, marketer and distributor of specialized truffle based food products which includes fresh truffles, truffle oils, truffle pates, truffle cremes and truffle butter. TDT's target market includes retailers such as restaurants, specialty food stores, delicatessens, supermarkets, and eventually consumers direct through e-commerce via the Internet. TDT believes that the key to reaching its target market distribution goals and channels requires successful development of distributors such as specialty food brokers and specialty food wholesalers. TDT believes that the key to supporting the distributor network and generating revenues from the consumer market is the successful development and deployment of the website to handle a secure full-service, interactive e-commerce environment.

TDT imports products directly from several Italian producers. The Company (through its subsidiary) commenced operations in January of 2000, and is presently focusing its efforts on serving specialty food distributors and restaurants. Also, TDT continues to build its database of potential clients on both a national and an international scale. The Company is presently operating with working capital generated from the gross profits from current sales activities.

TDT markets its products in the specialty food industry. The competitors in the US market are generally traders who buy from distributors, with the exception of big companies such as Urbani USA and Bosco Vivo (both of whom buy directly from the growers). Urbani is the biggest company worldwide in the high-end culinary food market, specifically truffle products.

TDT believes that the quality of its products is at parity with the best quality of similar product lines offered by its competition. In addition, due to lower overhead and cooperative supplier payment terms and minimum

quantity requirements, TDT believes that it can offer its products at prices below its competition while

keeping its inventory (and working capital requirements) at a minimum while still enjoying high gross margins.

TDT currently markets its products primarily in Florida, South Carolina, North Carolina, and California, and also earned commissions from Italy on sales made in Belgium, Holland and Germany. TDT will focus its efforts with trade accounts first through distributor networks, and continue to develop its e-commerce site to encompass support of this network plus generate revenues directly with consumer market.

Key to TDT's marketing initiatives are pricing, product attributes, management culinary knowledge, and the development of a proprietary database for targeted retail and business-to-business prospects in the category. TDT is committed to offering and delivering high quality products at reasonable prices. The products will be marketed by direct methods: interactive e-Commerce on the Company's website, Telemarketing, printed catalog distribution, direct mail and catalog on CD. Currently TDT's three major sales accounts represent less than 10% of total revenues. TDT receives its products primarily from two suppliers. TDT does not have contracts with its current suppliers. Should TDT loose these suppliers TDT has three alternative sources that it believes can supply sufficient product to meet TDT's needs.

TDT's products are regulated by the FDA and the Department of Agriculture. All TDT's products are approved for distribution throughout the US. Since the Company distributes fresh agricultural products, they are subject to inspections at any time by the government agencies. In the event a tainted product is found, the finding would have a material financial impact on TDT. The only licenses or permits which TDT needs to operate are business licenses in Miami and Montreal, which TDT has.

Website/ e-Commerce

Key to TDT's marketing strategy is the successful development and launch of the Company's website. The effort is currently under development and may be accessed by addressing www.terreditoscana.com. The website is being developed to serve both the Business-to-Business segment ("B2B") and the Business-to-Consumer segment ("B2C"). We anticipate offering our products on-line by December 2001.

The principal marketing and sales channel for B2B is direct contact with wholesale and distributor authorized buyers. The planned TDT website will serve to enhance these personally developed relationships providing "front office" activities including the ability to order the standard offerings of the Company. In addition to standard fare, trade accounts will have the ability to bid on "live lots" of fresh truffle produce. The website will provide digital photographs of actual fresh truffle offerings to be offered at auction. Due to the nature of the fluctuating market price of fresh truffles and the scarcity of the product in the marketplace, it is perceived this activity will be a significant sales tool generating very strong margins and sales nationwide. Truffles are sized based on familiar indexes, US quarters (coinage), golf balls and tennis balls. TDT will actually photograph lots with the appropriate index

item and ship the exact lot represented to the high bidder.

TDT recently opened an office in Montreal, Canada. This effort is being conducted by Ms. Tiziana Di Rocco, VP of Marketing and director. The Canadian operations will be serviced (warehousing of products and distribution) from the base operation in Miami, Florida.

Employees

The present staff includes four personnel, Mr. Bortolatti, the President, Tiziana DiRocco the Vice President of Marketing, a webmaster, and a clerical distribution person. It is anticipated within the next twelve months that we will hire three additional personnel. The planned additions will include two telemarketers, and an additional distribution person to manage Internet sales. The telemarketing positions will be compensated with a performance based commission in addition to a base wage.

Competition

We believe we are price competitive, with a consistent high product quality. TDT has a customer base throughout the East Coast of the U.S. and Canada, California and Europe. The competitors in the US market are generally traders who buy from distributers, with the exception of big companies such as Urbani USA and Bosco Vivo (both of whom buy directly from the growers). Urbani is the biggest company worldwide in the high-end culinary food market, specifically truffle products. Urbani has offices in New York, Los Angeles, Toronto, Tokyo and Europe.

Intellectual Property

We have no trademark, copyright or patent protection at this time.

Properties

At present, TDT owns no real property. TDT leases approximately 1,100 square feet for its office and distribution needs in Miami, Florida, this lease expires June 2001, and is for $950.00 per month. TDT leases approximately 700 square feet in Montreal, Canada, this lease expires June 2001 and is for $500.00 per month.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information regarding our executive officers and directors:

Name	Age	Position
Pietro Bortolatti	46	Chairman of the Board, President, CEO, Secretary, Treasurer
Tiziana Di Rocco	39	Director and Vice President of Marketing
David Rector	54	Director

Pietro Bortolatti, Chairman of the Board, President and Chief Executive Officer

Pietro Bortolatti has been President, Chief Executive Officer, Chief Financial Officer and Director of TDT since its inception in September 8, 2000. Since 1999

Mr. Bortolatti has been president and sole shareholder of Terre di Toscana, Inc., our operating subsidiary. Mr. Bortolatti has been in the food import/export business for the past twelve years. From 1995 to 1999 Mr. Bortolatti was president of Bortolatti Enterprises' Inc., a restaurant development company. From 1992 to 1998 Mr. Bortolatti was president of Under the FarmTree, Inc., a food importer. From 1988 to 1992 Mr. Bortolatti was the

Director of Export-USA for Rancilio Spa, a food products and hotel equipment company based in Italy. Mr. Bortolatti will work full time for TDT.

Mr. Bortolatti earned his Bachelors Degree in Economic Sciences and Accounting from Cesare Battisti Commercial Technical Institute in Bolzano, Italy in 1974; his Master Degree in Economic Science and Business Administration from Bocconi University, Italy 1979; and his Ph.D. in Economic Science and Business Administration from Bocconi University, Italy.

Tiziana Di Rocco, Vice President Marketing and Director

Tiziana Di Rocco has served as Vice President Marketing and Director of TDT since formation. From 1995 to 1996 Ms. Di Rocco was a translator of government texts for Traductions GAB in Laval, Quebec, Canada. From 1996 to 1997 she worked for the Italian Embassy in Ottawa, Ontario, Canada as a translator of legal and administrative texts. From 1997 to 1999 she was the office manager of Bortolatti Enterprises in Miami Florida. Ms. Di Rocco will work full time for TDT. Ms. Di Rocco earned a Bachelor of Arts Degree in Italian Literature and Italian to French and English Translations from Concordia University in Montreal, Canada.

David Rector, Director

David Rector has served as Director of TDT since formation. Since 1992, Mr. Rector has been a principal of the David Stephen Group, a business consulting firm located in the San Francisco Bay Area, which focuses on the needs of emerging companies. From August 1996 to January 1999, Mr. Rector served as a Director of Tamboril Cigar Company ("Tamboril"). From August 1996 to March 1997, Mr. Rector served as the Executive Vice President and General Manager of Tamboril. He has also served as the Secretary of Tamboril. From 1996 to the present Mr. Rector has been a director of Fullcomm Tech, Inc., a designer and developer of Internet encryption hardware. It is traded on the OTCB and FLTI is the trading symbol. From June 1992 to April 1994, he served as the President and Chief Executive Officer of Supercart International, a distributor of shopping carts. Prior to that, from 1985 to 1992, Mr. Rector was a principal of Blue Moon, a women's fashion accessory company specializing in fasteners. From 1980 to 1985, Mr. Rector served as President of Sunset Designs, a designer of leisure time craft. From 1972 to 1980, Mr. Rector held various financial and marketing positions with Crown Zellerbach Corporation, a multi-billion dollar manufacturer of paper and forest products. Mr Rector holds a Bachelors degree in Business Administration from Murray State University, Murray, Kentucky.

Executive Compensation

We have not paid any of our officers from our inception in November 1999 through March 15, 2001.

2000 Stock Option Plan

We adopted our 2000 Stock Option Plan in September 2000. The plan provides for the grant of options intended to qualify as "incentive stock options", options that are not intended to so qualify or "nonstatutory stock options" and stock appreciation rights. The total number of shares of common stock reserved for issuance under the plan is 1,000,000, subject to adjustment in the event of a stock split, stock dividend, recapitalization or similar capital change, plus an indeterminate number of shares of common stock issuable upon the exercise of "reload options" described below. We have not yet granted any options or stock appreciation rights under the plan.

The plan is presently administered by our board of directors, which selects the eligible persons to whom options shall be granted, determines the number of common shares subject to each option, the exercise price therefor and the periods during which options are exercisable, interprets the provisions of the plan and, subject to certain limitations, may amend the plan. Each option granted under the plan shall be evidenced by a written agreement between us and the optionee.

Options may be granted to our employees (including officers) and directors and certain or our consultants and advisors.

The exercise price for incentive stock options granted under the plan may not be less than the fair market value of the common stock on the date the option is granted, except for options granted to 10% stockholders which must have an exercise price of not less than 110% of the fair market value of the common stock on the date the option is granted. The exercise price for nonstatutory stock options is determined by the board of directors. Incentive stock options granted under the plan have a maximum term of ten years, except for 10% stockholders who are subject to a maximum term of five years. The term of nonstatutory stock options is determined by the board of directors. Options granted under the plan are not transferable, except by will and the laws of descent and distribution.

The board of directors may grant options with a reload feature. Optionees granted a reload feature shall receive, contemporaneously with the payment of the option price in common stock, a right to purchase that number of common shares equal to the sum of (i) the number of shares of common stock used to exercise the option, and (ii) with respect to nonstatutory stock options, the number of shares of common stock used to satisfy any tax withholding requirement incident to the exercise of such nonstatutory stock option.

Also, the plan allows the board of directors to award to an optionee for each share of common stock covered by an option, a related alternate stock appreciation right, permitting the optionee to be paid the appreciation on the option in lieu of exercising the option. The amount of payment to which an optionee shall be entitled upon the exercise of each stock appreciation right shall be the amount, if any, by which the fair market value of a share of common stock on the exercise date exceeds the exercise price per share of the option.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of January 25, 2001. The information in this table provides the ownership information for:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- each of our directors;
- each of our executive officers; and
- our executive officers, directors and director nominees as a group.

Beneficial ownership has been determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to the shares. Unless otherwise indicated, the persons named in the table below have sole voting and investment power with respect to the number of shares indicated as beneficially owned by them. Common stock beneficially owned and percentage ownership are based on 8,081,000 shares outstanding. There are currently no outstanding options or warrants to purchase any common stock.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Outstanding
Pietro Bortolatti c/o TDT Development, Inc., 1844 SW 16th Terrace, Miami, Florida 33145	5,000,000	60%
David Rector 1640 Terrace Way Walnut Creek, CA 94596	15,000	less than 1%
All Executive Officers and Directors as a Group (3 persons)	5,015,000	60%

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We issued 5,000,000 shares of our common stock to our president Pietro Bortolatti in exchange for the transfer from Mr. Bortolatti to TDT all of the outstanding shares of Terre di Toscana, Inc. to TDT. The assets of Terre di Toscana, Inc. included rights in several customer agreements. TDT values the 5,000,000 shares issued to Mr. Bortolatti at par value, $.0001 per share.

KGL Investments, Ltd. received 30,000 shares of TDT common stock in exchange for $3,000 worth of legal services rendered by Kaplan Gottbetter & Levenson, LLP, counsel to the Company (the shares were valued at $.10 per share). Kaplan Gottbetter & Levenson, LLP is the beneficial owner

of these shares. The legal services did not include the preparation of this prospectus or the prior private placement memorandum.

From November, 2000 through January, 2001 we sold 3,351,000 shares of our common stock at $.10 per share in a private offering.

David Rector is a director of TDT, he is also a principal of The David Stephens Group. TDT has engaged The David Stephens Group to perform certain management consulting services for which TDT has paid The David Stephens Group $26,243.70 as of January 31, 2001.

We believe that the terms of the above transactions are commercially reasonable and no less favorable to us than we could have obtained from an unaffiliated

third party on an arm's length basis. To the extent we may enter into any agreements with related parties in the future, the board of directors has determined that such agreements must be on similar terms.

INDEMNIFICATION AND LIMITATION OF LIABILITY OF MANAGEMENT

The Nevada General Corporation Law permits provisions in the articles, by-laws or resolutions approved by shareholders which limit liability of directors and officers for breach of fiduciary duty. Our articles limit liability of officers and directors to the full extent permitted by Nevada law. With these exceptions this eliminates personal liability of a director or officer, to TDT or its shareholders, for monetary damages for breach of fiduciary duty. Therefore a director or officer cannot be held liable of damages to TDT or its shareholders for gross negligence or lack of due care in carrying out his fiduciary duties as a director or officer. Nevada law permits indemnification if a director or officer acts in good faith in a manner reasonably believed to be in, or not opposed to, the best interest of the corporation. A director or officer must be indemnified as to any matter in which he defends himself successfully. Indemnification is prohibited as to any matter in which the director or officer is adjudged liable to the corporation.

This will limit your ability as shareholders to hold officers and directors liable and collect monetary damages for breaches of fiduciary duty, and requires us to indemnify officers and directors to the full extent permitted by law. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons under these provisions or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, indemnification is against public policy as expressed in the Act and is unenforceable.

DESCRIPTION OF SECURITIES

Our authorized capital stock currently consists of 50,000,000 shares of Common Stock, par value $0.0001 per share, of which 8,381,000 shares are issued and outstanding as of the date of the prospectus, and 5,000,000 shares of preferred stock, par value $0.0001 per share, of which no shares are issued and outstanding, the rights and preferences of which may be established from time to time by our Board of Directors.

The following description of our securities contains all material information. However it is a summary only and may be exclusive of certain information that may be important to you. For more complete information, you should read our Certificate of Incorporation and its restatements, together with our corporate bylaws.

Common Stock

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of our common stock entitled to vote in any election of directors may elect all of the directors standing for election. Subject to preferences that may be applicable to any shares of preferred stock outstanding at the time, holders of our common stock are entitled to receive dividends ratably, if any, as may be declared from time to time by our board of directors out of funds legally available therefor.

Upon our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive ratably, our net assets available after the payment of:

- all secured liabilities, including any then outstanding secured debt securities which we may have issued as of such time;
- all unsecured liabilities, including any then unsecured outstanding secured debt securities which we may have issued as of such time; and
- all liquidation preferences on any then outstanding preferred stock.

Holders of our common stock have no preemptive, subscription, redemption or conversion rights, and there are no redemption or sinking fund provisions applicable to the common stock. The outstanding shares of our common stock are, and the shares offered by us in this offering will be, when issued and paid for, duly authorized, validly issued, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

Preferred Stock

Our board of directors is authorized, without further stockholder approval, to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, and to fix the number of shares constituting any series and the designations of these series. These shares may have rights senior to our common stock. The issuance of preferred stock may have the effect of delaying or preventing a change in control of us. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to the holders of common stock or could adversely affect the rights and powers,

including voting rights, of the holders of our common stock. At present, we have no plans to issue any shares of our preferred stock.

Reports to Stockholders

We intend to furnish our stockholders with annual reports containing audited financial statements as soon as practicable after the end of each fiscal year. Our fiscal year ends on October 31st.

Transfer Agent

We have appointed Continental Stock Transfer & Trust Company, 2 Broadway, New York, New York 10004 as transfer agent for our shares of common stock.

SELLING STOCKHOLDERS

All of the shares of TDT common stock offered under this prospectus may be sold by the holders. We will not receive any of the proceeds from sales of shares offered under this prospectus.

All costs, expenses and fees in connection with the registration of the selling stockholders' shares will be borne by us. All brokerage commissions, if any, attributable to the sale of shares by selling stockholders will be borne by such holders.

The selling stockholders are offering a total of 3,381,000 shares of TDT common

stock. The selling stockholders are not, nor affiliated with, broker dealers. The following table sets forth:

- the name of each person who is a selling stockholder;
- the number of securities owned by each such person at the time of this offering; and.
- the number of shares of common stock such person will own after the completion of this offering.

The column "Shares Owned After the Offering" gives effect to the sale of all the shares of common stock being offered by this prospectus.

Selling Stockholder	Number of Shares Offered	Shares Owned Prior to the Offering		Shares Owned After the Offering	
		Number	Percentage	Number	Percentage
Jenadosa Holdings Limited	300,000	300,000	.04	0	0
South Edge International Ltd.	300,000	300,000	.04	0	0
Highgate Resources, Ltd.	300,000	300,000	.04	0	0
Effingham Investments, Ltd	300,000	300,000	.04	0	0
Viking Investment Group II, Inc. ..	300,000	300,000	.04	0	0
DePasquale, Joseph Francois, Dr. ..	350,000	350,000	.04	0	0
Ellul, Adrien	350,000	350,000	.04	0	0
Turf Holding Ltd.	50,000	50,000	.01	0	0
Ming Capital Enterprises Ltd.	50,000	50,000	.01	0	0

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Selling Stockholder	Number of Shares Offered	Shares Owned Prior to the Offering		Shares Owned After the Offering	
		Number	Percentage	Number	Percentage
Private Investment Company, Ltd. ..	50,000	50,000	.01	0	0
Partner Marketing AG	50,000	50,000	.01	0	0
HAPI Handels-und	50,000	50,000	.01	0	0
CCD Consulting	50,000	50,000	.01	0	0
Seloz Gestion & Finance S.A	50,000	50,000	.01	0	0
Tel-Ex-Ka AG	50,000	50,000	.01	0	0

UG Overseas Ltd.	400,000	400,000	.049	0	0
Sylvia Paris	1,000	1,000	(1)	0	0
Pierre Desmarais	1,000	1,000	(1)	0	0
Marie-Claude Jacques	1,000	1,000	(1)	0	0
Richard Hull	1,000	1,000	(1)	0	0
Julie Bourne	1,000	1,000	(1)	0	0
Samuel Coustant	1,000	1,000	(1)	0	0
Genevieve Sabourin	1,000	1,000	(1)	0	0
Laliberte Normande	1,000	1,000	(1)	0	0
France Desgagne	1,000	1,000	(1)	0	0
Sylvia Ianiri Phelps	1,000	1,000	(1)	0	0
Parenteau Corporation	320,000	320,000	.04	0	0
Alain Trottier	1,000	1,000	(1)	0	0
Pierre Marcotte	1,000	1,000	(1)	0	0
Claude Paris	1,000	1,000	(1)	0	0
Greg Derkevorkian	1,000	1,000	(1)	0	0
Linda Moses	1,000	1,000	(1)	0	0
Eirini Demetelin	1,000	1,000	(1)	0	0
KGL Investments, Ltd.	30,000	30,000	.004	0	0
David Rector	15,000	15,000	(1)	0	0
Total	3,381,000	3,381,000	40	0	0

(1) Indicates less than one percent of the total outstanding common stock.

PLAN OF DISTRIBUTION

The shares covered by this prospectus may be offered and sold from time to time by the selling stockholders. The term "selling stockholder" includes donees, pledgees, transferees or other successors-in-interest selling shares received after the date of this prospectus from a selling stockholder as a gift, pledge, partnership distribution or other non-sale related transfer. The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. Such sales may be made on one or more exchanges or in the over-the counter market or otherwise, at prices and under terms then prevailing or at prices related to the then current market price or in negotiated transactions. The selling stockholders may sell their shares by

one or more of, or a combination of, the following methods:

- purchase by a broker-dealer as principal and resale by such broker-dealer for its own account pursuant to this prospectus;
- ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- block trades in which the broker-dealer so engaged will attempt to sell the shares as agent but may position and resell a potion of the block as principal of facilitate the transaction;
- in privately negotiated transactions; and
- in options transactions.

In addition, any shares that qualify for sale under to Rule 144 may be sold under Rule 144 rather that through this prospectus.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. In connection with distributions of the shares or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions. In connection with such transactions, broker-dealers or other financial institutions may engage in short sales of the common stock in the course of hedging the positions they assume with the selling stockholders. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction). The selling stockholders may also pledge shares to a broker-dealer or other financial institution, and, upon a default, such broker-dealer or other financial institution, may effect sales of the pledged shares through this prospectus (as supplemented or amended to reflect such transaction).

In effecting sales, broker-dealers or agents engaged by the selling stockholders may arrange for other broker-dealers to participate. Broker-dealers or agents may receive commissions, discounts or concessions from the selling stockholders in amount to be negotiated immediately prior to the sale.

In offering the shares covered by this prospectus, the selling stockholders and any broker-dealers who execute sales for the selling stockholders may be deemed to be "underwriter" within the meaning of the Securities Act in connection with such sales. Any profits realized by the selling stockholders and the compensation of any broker-dealer may be deemed to be underwriting discounts and commissions.

In order to comply with the securities laws of certain states, if applicable, the shares must be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

We have advised the selling stockholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. In

addition, we will make copies of this prospectus available to the selling stockholders may indemnify and broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

At the time a particular officer of shares is made, if required, a prospectus supplement will be distributed that will set forth the number of shares being offered and the terms of the offering, including the name of any underwriter, dealer or agent, the purchase price paid by any underwriter, any discount, commission and other item constituting, compensation, any discount, commission or concession allowed or reallowed or paid to any dealer, and the proposed selling price to the public.

MARKET FOR COMMON EQUITY

Shares Eligible for Future Sale

Market Information

There is no public trading market on which TDT's Common Stock is traded. TDT has engaged a broker/dealer to file a Form 211 with the National Association of Securities Dealers ("NASD") in order to allow the quote of TDT's common stock on the Bulletin Board.

There are no outstanding options or warrants to purchase, or securities convertible into, common equity of TDT.

We have outstanding 8,381,000 shares of our common stock. Of these shares, 3,381,000 shares, will be freely tradable without restriction under the Securities Act unless held by our "affiliates" as that term is defined in Rule 144 under the Securities Act. These shares will be eligible for sale in the public marker, subject to certain volume limitations and the expiration of applicable holding periods under Rule 144 under the Securities Act. In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned restricted shares for at least one year (including the holding period of any prior owner an affiliate) would be entitled to sell within any three-month period a number of shares that does not exceed the greater of (1)% of the number of shares of common stock then outstanding or (2) the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a From 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice

requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been an affiliate of us at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owner except an affiliate), is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. We have not filed a registration statement relating to the shares subject to outstanding options under our Year 2000 Option Plan.

We can offer no assurance that an active public market in our shares will develop. Future sales of substantial amounts of our shares (including shares issued upon exercise of outstanding options) in the public market could adversely affect market prices prevailing from time to time and could impair our

ability to raise capital through the sale of our equity securities.

LEGAL PROCEEDINGS

We are not a party to nor are we aware of any existing, pending or threatened lawsuits or other legal actions.

LEGAL MATTERS

Certain legal matters, including the legality of the issuance of the shares of common stock offered herein, are being passed upon for us by our counsel, Kaplan Gottbetter & Levenson, LLP, 630 Third Avenue, New York, New York 10017.

EXPERTS

The financial statements of TDT Development, Inc. and subsidiary, a development stage company, as of October 31, 2000 and for the period from November 11, 1999 (inception) through October 31, 2000, have been included herein and in the registration statement in reliance upon the report of Rogoff & Company, P.C., independent certified public accountants, appearing elsewhere herein, and upon the authority of that firm as experts in accountant and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have not previously been required to comply with the reporting requirements of the Securities Exchange Act. We have filed with the SEC a registration statement on Form SB-2 to register the securities offered by this prospectus. The prospectus is part of the registration statement, and, as permitted by the SEC's rules, does not contain all of the information in the registration statement. For future information about us and the securities offered under this prospectus, you may refer to the registration statement and to the exhibits and schedules filed as a part of this registration statement. You can review the registration statement and its exhibits at the public reference facility maintained by the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the SEC at 7 world Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The registration statement is also available electronically on the World Wide Web at http://www.sec.gov.

INDEX TO FINANCIAL STATEMENTS
TDT Development, Inc.
(A Development Stage Company)

[Letterhead of Rogoff & Company, P.C.]

Independent Auditors' Report

The Shareholders and Board of Directors
TDT Development, Inc.:

We have audited the accompanying consolidated balance sheet of TDT Development, Inc. and subsidiary as of October 31, 2000 and the related consolidated statements of operations, of changes in shareholders' equity and of cash flows for the period November 11, 1999 (inception) to October 31, 2000. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TDT Development, Inc. and subsidiary at October 31, 2000, and the consolidated results of their operations, their changes in shareholders' equity and their cash flows for the period November 11, 1999 (inception) to October 31, 2000, in conformity with generally accepted accounting principles.

/s/ Rogoff & Company, P.C.

Rogoff & Company, P.C.
New York, New York

April 11, 2001

TDT Development, Inc.
and Subsidiary

Consolidated Balance Sheets

October 31, 2000 (Audited) and January 31, 2001 (Unaudited)

	October 31, 2000	January 31, 2001

		(Unaudited)
Assets		
Current assets:		
Cash	$ --	$ 210,448
Accounts receivable	6,419	44,906
Deferred offering expenses	55,000	--
Inventory	7,490	13,942
Total current assets	68,909	269,296
Fixed assets:		
Office furniture, net of accumulated depreciation of $655 and $866 respectively	3,563	3,353
Computers and equipment, net of accumulated depreciation of $1,343 and $1,946 respectively	8,695	11,153
Total fixed assets	12,258	14,506
Other assets:		
Security deposits	1,500	1,500
Total assets	$ 82,667	$ 285,302
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdraft	$ 1,468	$ --
Accounts payable	64,713	19,344
Accrued interest payable	2,500	4,323
Promissory note payable	30,000	--
Revolving credit line	--	4,872
Accrued expenses payable	5,619	21,554
Total liabilities	104,300	50,093
Shareholders' equity:		
Common stock, 50,000,000 shares authorized; 5,030,000 and 8,381,000 shares issued and outstanding; par value $.0001	503	838
Preferred stock, 5,000,000 shares authorized; -0- shares issued and outstanding; par value $.0001	--	--
Additional paid in capital	25,942	305,707
Retained earnings (deficit)	--	(23,258)
Deficit accumulated during the development stage	(48,078)	(48,078)
Total shareholders' equity	(21,633)	235,209
Total liabilities and shareholders' equity	$ 82,667	$ 285,302

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

November 11, 1999 (inception) to October 31, 2000 (Audited)
Three-month period ended January 31, 2001 (Unaudited) Period
November 11, 1999 to January 31, 2000 (Unaudited)

	November 11, 1999 to October 31, 2000	Three months Ended January 31, 2001	November 11, 1999 to January 31, 2000
		(Unaudited)	(Unaudited)
Revenues:			
Net sales	$ 86,867	$ 47,573	$ --
Commissions Earned	33,000	7,529	--
Total Revenue	119,867	55,102	--
Cost of sales	(50,819)	(20,707)	--
Gross Profit	69,048	34,395	--
Operating Expenses:			
General and administrative expenses	52,641	28,272	7,930
Selling expenses	64,485	29,381	18,146
Total expenses	117,126	57,653	26,076
Net loss	$ (48,078)	$ (23,258)	$ (26,076)
Net loss per share:			
Basic	$ (0.01)	$ (0.01)	$ (0.01)
Diluted			
Weighted average shares of common stock used in calculation of net loss per share	5,030,000	5,571,337	5,030,000

See accompanying Notes to Consolidated Financial Statements.

TDT Development, Inc.
and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity

November 11, 1999 (inception) to October 31, 2000 (Audited)
Three-month period ended January 31, 2001 (Unaudited)

Deficit
Accumulated

	Number of Shares	Capital Stock	Additional Paid-In Capital	During Development Stage	Ret Ear (de
November 11, 1999 to October 31, 2000:					
Issuance of common stock at $0.0001 per share	5,000,000	$ 500	$ 13,945	$ --	$
Contributed services:					
Legal	30,000	3	2,997	--	
Other	--	--	9,000	--	
Net loss	--	--	--	(48,078)	
Balances, October 31, 2000	5,030,000	503	25,942	(48,078)	
Three-month period ended January 31, 2001 (unaudited):					
Issuance of common stock at $0.10 per share, net of $55,000 direct costs	2,651,000	265	209,835	--	
Issuance of common stock in exchange for conversion of notes payable	700,000	70	69,930	--	
Net loss	--	--	--	--	(
Balances, January 31, 2001	8,381,000	$ 838	$ 305,707	$ (48,078)	$ (

See accompanying Notes to Consolidated Financial Statements.

TDT Development, Inc.
and Subsidiary

Consolidated Statements of Cash Flows

November 11, 1999 (inception) to October 31, 2000 (Audited)
Three-month period ended January 31, 2001 (Unaudited) Period
November 11, 1999 to January 31, 2000 (Unaudited)

	November 11, 1999 to October 31, 2000	Three months Ended January 31, 2001	November 11, 1999 to January 31, 2000
		(Unaudited)	(Unaudited)
Cash flows from operating activities:			
Net loss	$ (48,078)	$ (23,258)	$ (26,076)
Adjustments to reconcile net loss to cash used by operating activities:			
Depreciation	1,998	814	448
Contributed services	9,000	--	--
Services compensated in stock	3,000	--	--

Increase in accounts receivable	(6,419)	(38,487)	--
Increase in security deposits	(1,500)	--	(650)
Increase in inventory	(7,490)	(6,452)	--
Increase in operating accounts payable	9,713	7,599	6,050
Increase in accrued interest payable	2,500	1,823	--
Increase in accrued expenses	5,619	17,967	364
Cash used by operating activities	(31,657)	(39,994)	(19,864)
Cash flows from investing activities:			
Purchase of fixed assets	(14,256)	(3,062)	(9,399)
Cash flows from financing activities:			
Issuance of common stock	14,445	--	13,445
Proceeds from loan from stockholders	16,000	--	16,000
Repayment of loan from stockholders	(16,000)	--	--
Proceeds of private placement offering, net of $55,000 direct placement costs	--	210,100	--
Revolving credit line borrowings	--	4,872	--
Proceeds from promissory note payable	30,000	40,000	--
Proceeds (repayment) of bank overdraft	1,468	(1,468)	--
Cash provided by financing activities	45,913	253,504	29,445
Increase in cash	--	210,448	182
Cash, beginning of period	--	--	--
Cash, end of period	$ --	$ 210,448	$ 182

See accompanying Notes to Financial Statements

TDT Development, Inc.
and Subsidiary

Notes to Consolidated Financial Statements

October 31, 2000
(Information for the three months ended January 31, 2001 Unaudited)

1. Nature of Business

TDT Development, Inc. ("TDT") imports and distributes, through its wholly owned subsidiary, Terre di Toscana, Inc. ("Terre"), specialized truffle based food products which include fresh truffles, truffle oils, truffle pates, truffle cremes, and truffle butter. TDT's target market includes retailers such as restaurants, specialty food stores, delicatessens, supermarkets; distributors such as specialty food brokers and wholesalers. The Company plans to sell to consumers directly through e-commerce via the Internet.

TDT's wholly owned subsidiary Terre di Toscana, Inc. was incorporated in Florida, on November 10, 1999. Since its inception to October 31, 2000 Terre has been test-marketing products in the United States. Commencing

November 2000 the Company commenced regular sales of its products.

TDT imports products directly from several Italian producers. There are no formal contracts or agreements in place. The U.S. Food and Drug Administration and Department of Agriculture regulate TDT's products. In the event that a faulted product is found, the finding would have a material financial impact on TDT.

2. Basis of Presentation and Consolidation

Terre was formed in November, 1999 and incurred start-up expenses through December 31, 1999. Terre commenced test marketing its products in January 2000. All significant operations have been conducted by Terre.

TDT was formed in September 2000 by the sole shareholder of Terre. On September 8, 2000, TDT acquired one hundred percent (2000 shares) of Terre common stock in exchange for 5,000,000 shares of TDT's common stock issued to Terre's sole shareholder, Pietro Bortolatti. Bortolatti, who was TDT's sole shareholder at that time, is also TDT's president, CEO and Chairman of the Board of Directors. Accordingly, this business combination was accounted for at historical cost in a manner similar to a pooling of interests. The consolidated statements of operations, of changes in shareholders' equity and of cash flows include the activities of both companies from the inception of Terre in November 1999 as if Terre had been a wholly owned subsidiary of TDT for all periods presented.

The consolidated financial statements include the accounts of TDT and Terre. All intercompany transactions and balances have been eliminated.

TDT Development, Inc.
and Subsidiary

Notes to Consolidated Financial Statements

October 31, 2000
(Information for the three months ended January 31, 2001 Unaudited)

3. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets, liabilities and matters for disclosure at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Revenues are reflected when earned, net of discounts. Expenses are recognized when incurred.

TDT has test marketed its products in the United States and has recognized revenues when the merchandise is shipped to customers. In addition, TDT received brokerage commissions from certain foreign transactions that it arranged.

Development Stage Enterprise

The Company adopted the financial statement principles of a development stage enterprise from its inception and has reported its financial condition and results of operations through October 31, 2000 in accordance with the standards for such an enterprise. The Company discontinued the practice on November 1, 2000 (see Note 12)

Inventory

Inventory consists entirely of finished goods and is stated at the lower of cost (determined on the first in, first out basis) or market.

Fixed Assets

Fixed assets, consisting of office furniture, computers and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Revenue and Accounts Receivable

Revenue is recognized when goods are shipped to customers. The Company's policy is to replace returned goods, if any, with other merchandise. Anticipated returns and bad debts are considered to be immaterial by management and, accordingly, no provision for them has been provided in the accompanying financial statements.

TDT Development, Inc.
and Subsidiary

Notes to Consolidated Financial Statements

October 31, 2000
(Information for the three months ended January 31, 2001 Unaudited)

3. Significant Accounting Policies (continued)

Foreign Currency Translation

Transactions with foreign suppliers are translated at the exchange rates then in effect. At the balance sheet date, accounts payable denominated in foreign currency are adjusted to reflect foreign currency exchange rates at that date. Any resulting gain or loss is reflected in the determination of current net income (loss). The Company has no foreign customers.

Financial Instruments

Current assets and liabilities are reported at their face amount which, because of their short-term nature, approximates fair value

Comprehensive Income

There is no difference in the Company's historical net losses as reported and comprehensive net loss.

Dividends

The Board of Directors has sole discretion to pay cash dividends based on the Company's financial condition, results of operations, capital requirements, contractual obligations and other relevant factors. TDT has

not paid any dividends on common stock since inception.

Income Taxes

TDT accounts for income taxes using the asset and liability method. Under that method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws. Valuation allowances related to deferred tax assets are established when, in the opinion of management, it is more likely than not that some or all of the benefits of deferred tax assets will not be realized.

4. Shareholders' Equity

In September 2000, TDT issued 5,000,000 shares of common stock to the Company's President, CEO, Secretary and Chairman of the Board, Mr. Pietro Bortolatti, in exchange of all of Terre di Toscana's outstanding shares of common stock. The exchange was treated as a reorganization of entities under common control, and was accounted for at historical cost in a manner similar to pooling of interests.

In addition, 30,000 shares of TDT's common stock were issued to Kaplan, Gottbetter & Levenson, LLP., TDT's legal representative, in exchange for legal services valued at $3,000.

Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights.

TDT Development, Inc.
and Subsidiary

Notes to Consolidated Financial Statements

October 31, 2000
(Information for the three months ended January 31, 2001 Unaudited)

5. Related Party Transactions

TDT issued 5,000,000 shares of its common stock to Pietro Bortolatti, TDT's President, Chief Executive Officer and Director in exchange for the transfer from Mr. Bortolatti to TDT of all of the outstanding shares of Terre. The exchange was treated as a reorganization of entities under common control, and was accounted for at historical cost in a manner similar to pooling of interests.

TDT also issued 30,000 shares of its common stock to Kaplan, Gottbetter & Levenson, LLP., the legal counsel of the Company in exchange for legal services valued at $3,000 ($.10 per share).

In addition, Mr. Bortolatti provided services to the Company during 2000 valued at $9,000, for which he was not and will not be paid. The value of those services has been charged to expense and credited to additional paid-in capital.

David Rector is a director of TDT and is also a principal of The David Stevens Group. TDT has engaged The David Stevens Group to perform certain management consulting services, for which Terre paid $16,244 during the period ended October 31, 2000.

6. Income Taxes

The companies have consolidated net operating losses ("NOL") for tax purposes at October 31, 2000 of approximately $28,000. The differences between financial reporting and tax bases of assets and liabilities are not significant.

At a statutory tax rate of fifteen percent, the future tax benefit of the NOL would be approximately $4,200. However, this has been reduced by a 100% valuation allowance because, in the opinion of management, it is more likely than not based on available information that the benefit will not be realized.

7. Foreign Currency Translation

For the period November 11, 1999 to October 31, 2000 the Company's gain on payables denominated in foreign currencies was $651.

8. Stock Options

TDT adopted its 2000 Stock Option Plan in September, 2000. The plan provides for the grant of options intended to qualify as incentive stock options; options not intended to so qualify; and nonstatutory stock options and stock appreciation rights. The total number of shares of common stock reserved for issuance under the plan is 1,000,000 subject to adjustment in the event of a stock split, stock dividend, recapitalization or similar capital change, plus an indeterminate number of shares of common stock issuable upon the exercise of reload options. TDT has not yet granted any options or stock appreciation rights under the plan.

TDT Development, Inc.
and Subsidiary

Notes to Consolidated Financial Statements

October 31, 2000
(Information for the three months ended January 31, 2001 Unaudited)

8. Stock Options - continued

The plan is presently administered by TDT's Board of Directors, which selects the eligible persons to whom options shall be granted, determines the number of common shares subject to each option, the exercise price thereof and the period during which options are exercisable, interprets the provisions of the plan and, subject to certain limitations, may amend the plan.

Options may be granted to TDT's employees (including officers) and directors and certain of TDT's consultants and advisors.

9. Services Compensation

Kaplan, Gottbetter & Levenson, LLP (KGL) rendered legal services at a fair value of $3,000. The $3,000 was paid through the issuance of 30,000 shares of TDT's common stock valued at $.10 per share.

10. Deferred Offering Expenses

TDT has incurred costs $55,000 to Kaplan, Gottbetter & Levenson, LLP for the preparation of TDT's Private Offering Memorandum dated November 2,

2000.

11. Segment Information

The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Certain information is disclosed, per SFAS No. 131, based on TDT's geographic revenues. In addition to its regular operations in the United States, TDT brokers deals for its suppliers in Italy for which the Company receives commissions. For the period ended October 31, 2000 TDT received $33,000 in commissions from Italy. The Company has no foreign sales.

12. Concentrations

More than half of the Company's inventory purchases have been made from two suppliers.

13. Notes Payable

On May 15, 2000 Terre borrowed $30,000 and executed an 18% promissory note due May 15, 2001. The face value of the note was converted into 300,000 shares of TDT common stock on December 29, 2000. Accrued interest of $3,446 on the conversion date remains a liability of the Company.

TDT Development, Inc.
and Subsidiary

Notes to Consolidated Financial Statements

October 31, 2000
(Information for the three months ended January 31, 2001 Unaudited)

14. Information for the three months ended January 31, 2001 (Unaudited)

The interim financial information as of January 31, 2001 and for the three months ended January 31, 2001 and the period November 31, 1999 to January 31, 2000 is unaudited but includes all adjustments that TDT management considers necessary for a fair presentation of its consolidated financial position at that date and its consolidated results of operations and cash flows for those periods. Operating results for the three months ended January 31, 2001 are not necessarily indicative of results that may be expected for any future periods.

Based on achieving significant revenue during its first year of operations, management has determined that the Company no longer meets the definition of a development stage enterprise effective November 1, 2000.

In November 2000, TDT's Board of Directors authorized a private placement offering of TDT's common stock to a limited number of sophisticated investors at a price of $.10 per share. In January 2001, TDT completed the private placement of 3,351,000 shares of its common stock, resulting in cash proceeds of $335,100. Direct costs incurred in conjunction with this placement were $55,000.

On November 15, 2000 Terre borrowed $40,000 and executed an 18% promissory note due February 15, 2001. On December 29, 2000 the face amount of the note was paid by a third party in consideration of which TDT issued 400,000 shares of common stock. Accrued interest of $877 on the conversion date remains a liability of the Company.

David Rector is a director of TDT and is also a principal of The David Stevens Group. TDT has engaged The David Stevens Group to perform certain management consulting services, for which Terre has paid $10,000 during the three months ended January 31, 2001.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 24. Indemnification of Directors and Officers.

The General Corporation Law of Nevada provides for the indemnification of the officers, directors and corporate employees and agents of TDT Development, Inc. (the "Registrant") under certain circumstances as follows:

78.7502 DISCRETIONARY AND MANDATORY INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS: GENERAL PROVISIONS.

1. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding of he acted in good faith and in manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

2. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving as the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon the application that in view of all the circumstances of the case, the person is fairy and reasonably entitled to indemnify for such expenses as the court deems proper.

3. To the extent that director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any

action, suit or proceeding referred to in subsection 1 and 2, or his defense of any claim, issue or matter therein, the corporation shall indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

78.751 INDEMNIFICATION OF OFFICER, DIRECTORS, EMPLOYEES AND AGENTS; ADVANCEMENT OF EXPENSES.

1. Any discretionary indemnification under NRS 78.7502, unless ordered by a court or advanced pursuant to subsection 2, may be made by the corporation only as authorized in the specific

case upon determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made:

(a) By the stockholders;

(b) By the board of directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding;

(c) If a majority vote of a quorum consisting of directors who were not parties to the action, suite or proceeding so orders, by independent legal counsel in a written opinion; or

(d) If a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion; or

2. The articles of incorporation, the bylaws or an agreement made by the corporation may provide that the expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. The provisions of this subsection do not affect any right any right to advancement of expenses to which corporate personnel other than directors or officers may be entitled under any contract or otherwise by law.

3. The indemnification and advancement of expenses authorized in or ordered by a court pursuant to this section:

(a) Does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to NRS 78.7502 or for the advancement of expenses made pursuant to subsection 2, may not be made to or on behalf of any director or officer if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action.

(b) Continues for a person who has ceased to be a director, officer, employee or agent and inures to the benefit of the heirs, executors and administrators of such a person.

78.752 INSURANCE AND OTHER FINANCIAL ARRANGEMENTS AGAINST LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS.--

1. A corporation may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise for any liability asserted against him and liability and expenses incurred by him in his capacity as a director, officer, employee or agent, or arising out of his status as such, whether or not the corporation has the authority to indemnify him against such liability and expenses.

2. The other financial arrangements made by the corporation pursuant to subsection 1 may include the following:

(a) The creation of a trust fund.

(b) The establishment of a program of self-insurance.

(c) The securing of its obligation of indemnification by granting a security interest or other lien on any assets of the corporation.

(d) The establishment of a letter of credit, guaranty or surety.

No financial arrangement made pursuant to this subsection may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud or a knowing violation of law, except with respect to the advancement of expenses or indemnification ordered by a court.

3. Any insurance or other financial arrangement made on behalf of a person pursuant to this section may be provided by the corporation or any other person approved by the board of directors, even if all or part of the other person's stock or other securities is owned by the corporation.

4. In the absence of fraud:

(a) The decision of the board of directors as to the propriety of the terms and conditions of any insurance or other financial arrangement made pursuant to this section and the choice of the person to provide the insurance or other financial arrangement is conclusive; and

(b) The insurance or other financial arrangement:

(1) Is not void or voidable; and

(2) Does not subject any director approving it to personal liability for his action, even if a director approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.

5. A corporation or its subsidiary which provided self-insurance for itself or for another affiliated corporation pursuant to this section is not subject to the provisions of Title 57 of NRS.

Articles Nine and Ten of the Registrant's amended certificate of incorporation provide as follows:

> 9. Limitation on Liability. To the fullest extent permitted by Chapter 78 of the Nevada Revised Statutes as the same exists or may hereafter be amended, an officer or director of the Corporation

shall not be personally liable to the Corporation or its stockholders for monetary damages due to breach of fiduciary duty as such officer or director."

10. Indemnification. The Corporation is authorized to provide indemnification of agents for breach of duty to the Corporation and its stockholders through bylaw provisions or through agreements with agents, or both, in excess of the indemnification otherwise permitted by law, subject to any limits on such excess indemnification as set forth therein.

Item 25. Expenses of Issuance and Distribution.

The other expenses payable by the Registrant in connection with the issuance and distribution of the securities being registered are estimated as follows:

Securities and Exchange Commission Registration Fee	$ 75.92
Legal Fees	60,000.00
Accounting Fees	7,000.00
Printing and Engraving	2,300.00
Miscellaneous	2,100.00
TOTAL	$71,475.92

Item 26. Recent Sales of Unregistered Securities.

In September, 2000 the Registrant issued 5,000,000 shares of its common stock to its founder and president Pietro Bortolatti in exchange for all of the outstanding shares of Terre di Toscana, Inc.

From November, 2000 to January, 2001 the Registrant issued 3,351,000 shares of its common stock at $.10 per share. This sale was part of its private placement offering to the individuals and entities listed in selling shareholder section of this registration statement. In October, 2000 the Registrant issued 30,000 shares of its common stock to KGL Investments, Ltd, the beneficial owner of which is Kaplan Gottbetter & Levenson, LLP, counsel to the Registrants in exchange for legal services rendered. These shares were valued at$.10 per share.

These securities were sold under the exemption from registration provided by Section 4(2) of the Securities Act. Neither the Registrant nor any person acting on its behalf offered or sold the securities by means of any form of general solicitation or general advertising. All purchasers represented in writing that they acquired the securities for their own accounts. A legend was placed on the stock certificates stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an exemption therefrom.

Item 27. Exhibits.

Exhibit Number	Description
3.1	-- Certificate of Incorporation (i)
3.2	-- Amended Articles of Incorporation (i)
3.3	-- By-Laws (i)

4.1 -- Specimen Certificate of Common Stock (i)

5.1 -- Form of Opinion of Counsel *

10.1 -- Nonstatutory Stock Option Plan (i)

21.1 -- List of Subsidiaries (i)

23.1 -- Accountant's Consent *

23.2 -- Counsel's Consent to Use Opinion (included in Exhibit 5.1) *

(i) Previously submitted with registration statement on Form SB-2 on February 1, 2001

* submitted herewith

Item 28. Undertakings.

The Registrant undertakes:

(1) To file, during any period in which offers or sales are being made, post-effective amendment to this registration statement (the "Registration Statement"):

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the Effective Date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in this registration statement, including (but not limited to) the addition of an underwriter.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be treated as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to any provisions contained in its Certificate of Incorporation, or by-laws, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in

connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, in Miami, Florida on April 27, 2001.

TDT Development, Inc.

By:/s/ Pietro Bortolatti

Pietro Bortolatti
President, CEO, Secretary, Treasurer and Chairman of the Board

In accordance with the requirements of the Securities Act of 1933, the registration statement was signed by the following persons in the capacities and on the dates stated.

Signature	Title	Dated
/s/Pietro Bortolatti --- Pietro Bortolatti	President, CEO, Secretary, Treasurer, Chairman of the Board	April 27, 2001
/s/David Rector --- David Rector	Director	April 27, 2001
/s/ Tiziana DiRocco --- Tiziana DiRocco	Director	April 27, 2001

n-top:0pt; margin-bottom:1pt; font-size:8pt; font-family:Times New Roman" ALIGN="center">**Merchandise Services**

burial lots

lawn crypts

mausoleum crypts

cremation niches

perpetual care rights

burial vaults

caskets

grave markers and grave marker bases

memorials

installation of burial vaults

installation of caskets

installation of other cemetery merchandise

other service items

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. Our sales of real property, including burial lots (with and without installed vaults), lawn and mausoleum crypts and cremation niches, generate qualifying income sufficient for us to be treated as a partnership for federal income tax purposes.

Our primary funeral home products are caskets and related items. Our funeral home services include consultation, the removal and preparation of remains and the use of funeral home facilities for visitation and prayer services. We sell these services and merchandise generally at the time of need. Our funeral home operations are conducted through various wholly-owned subsidiaries that are treated as corporations for U.S. federal income tax purposes.

We maintain an Internet website at *http://www.stonemor.com*, which contains information about us. The information on this website is not, and should not be considered, part of this prospectus and it is not incorporated by reference into this prospectus.

Our principal executive offices are located at 311 Veterans Highway, Suite B, Levittown, Pennsylvania 19056, and our phone number is (215) 826-2800.

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RISK FACTORS

An investment in our securities involves a significant degree of risk. Before you invest in our securities, you should carefully consider those risk factors included in our most recent Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K, each of which is incorporated herein by reference and those risk factors that may be included in the applicable prospectus supplement together with all of the other information included in this prospectus, any prospectus supplement and the documents we incorporate by reference in evaluating an investment in our securities.

If any of the risks discussed in the foregoing documents were to occur, our business, financial condition, results of operations and cash flows could be materially adversely affected. In that case, we may be unable to pay distributions to our unitholders, the trading price of our securities could decline and you could lose all or part of your investment.

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USE OF PROCEEDS

Except as otherwise provided in the applicable prospectus supplement, we will use the net proceeds we receive from the sale of the securities covered by this prospectus for general partnership purposes, which may include, among other things, funding acquisitions of assets or businesses, working capital, capital expenditures and the repayment or refinancing of all or a portion of our debt. The actual application of proceeds we receive from the sale of any particular offering of securities using this prospectus will be described in the applicable prospectus supplement relating to such offering.

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DESCRIPTION OF THE COMMON UNITS

The holders of our common units are entitled to participate in partnership distributions and exercise the rights or privileges available to limited partners under our partnership agreement. As of November 1, 2013, we had 21,374,037 outstanding common units, representing a 98.17% limited partner interest, a 1.83% general partner interest and incentive distribution rights.

Partnership Agreement

The following is a summary of certain provisions of our partnership agreement. A copy of our partnership agreement is included in our other SEC filings and incorporated by reference in this prospectus.

Issuance of Additional Units

Our partnership agreement authorizes us to issue an unlimited number of additional common units and other equity securities for the consideration and on the terms and conditions determined by our general partner without the approval of the unitholders.

We may issue an unlimited number of common units without the approval of the unitholders as follows:

- in connection with an acquisition or an expansion capital improvement that increases cash flow from operations per unit on an estimated pro forma basis;
- if the proceeds of the issuance are used to repay indebtedness, the cost of which to service is greater than the distribution obligations associated with the units issued in connection with its retirement;
- the redemption of common units or other equity interests of equal rank with the common units from the net proceeds of an issuance of common units or parity units, but only if the redemption price equals the net proceeds per unit, before expenses, to us;
- upon conversion of units of equal rank with the common units into common units under some circumstances;
- in the event of a combination or subdivision of common units;
- under employee benefit plans; or
- upon conversion of the general partner interest and incentive distribution rights as a result of a withdrawal of our general partner.

It is possible that we will fund acquisitions through the issuance of additional common units or other partnership securities. Holders of any additional common units we issue will be entitled to share equally with the then-existing

holders of common units in our distributions of available cash. In addition, the issuance of additional common units or other partnership securities may dilute the value of the interests of the then-existing holders of common units in our net assets. In accordance with Delaware law and the provisions of our partnership agreement, we may also issue additional partnership securities that, as determined by our general partner, may have special voting rights to which the common units are not entitled.

Upon issuance of additional partnership securities, our general partner will be entitled, but not required, to make additional capital contributions to the extent necessary to maintain its current general partner interest in us. The general partner s 1.83% interest in our 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 1.83% general partner interest. Moreover, our general partner will have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units or other partnership securities whenever, and on the same terms that, we issue those securities to persons other than our general partner and its affiliates, to the

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extent necessary to maintain the percentage interest of the general partner and its affiliates, including such interest represented by common units, that existed immediately prior to each issuance. The holders of common units will not have preemptive rights to acquire additional common units or other partnership securities.

Limited Liability

Participation in the Control of Our Partnership

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Act and that he otherwise acts in conformity with the provisions of our partnership agreement, his liability under the Delaware Act will be limited, subject to possible exceptions, to the amount of capital he is obligated to contribute to us for his common units plus his share of any undistributed profits and assets. If it were determined, however, that the right or exercise of the right by the limited partners as a group:

to remove or replace the general partner;

to approve some amendments to our partnership agreement; or

to take other action under our partnership agreement;

constituted participation in the control of our business for the purposes of the Delaware Act, then the limited partners could be held personally liable for our obligations under Delaware law to the same extent as our general partner. This liability would extend to persons who transact business with us and who reasonably believe that the limited partner is a general partner. Neither our partnership agreement nor the Delaware Act specifically provides for legal recourse against our general partner if a limited partner were to lose limited liability through any fault of the general partner. While this does not mean that a limited partner could not seek legal recourse, we have found no precedent for this type of claim in Delaware case law.

Unlawful Partnership Distributions

Under the Delaware Act, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act shall be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware Act, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except the assignee is not obligated for liabilities that are unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

Failure to Comply with the Limited Liability Provisions of Jurisdictions in Which We Do Business

Our subsidiaries conduct business in 28 states and Puerto Rico and may conduct business in other states in the future. Maintenance of our limited liability, as the sole member of the operating company, may require compliance with legal requirements in the jurisdictions in which the operating company and/or our subsidiaries conduct business. Limitations on the liability of members for the obligations of a limited liability company have not been clearly established in many jurisdictions. If it were determined that we were, by virtue of our member interest in the operating company or otherwise, conducting business in any state without compliance with the applicable limited partnership, limited liability company or corporation statute, or that the right or exercise of the right by the limited partners as a group to remove or replace our general partner, to approve some amendments to

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our partnership agreement, or to take other action under our partnership agreement constituted participation in the control of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the laws of that jurisdiction to the same extent as the general partner under the circumstances. We will operate in a manner determined by our general partner to be necessary or appropriate to preserve the limited liability of the limited partners.

Voting Rights

Certain actions require the approval of the holders of a majority of our common units. The actions that require the approval of a unit majority include:

- certain amendments to our partnership agreement;
- the merger of our partnership or the sale of all or substantially all of our assets;
- amendments to the limited liability company agreement of our operating company and other actions taken as sole member of our limited liability company if such amendment or other action would adversely affect our limited partners or any particular class of our limited partners in any material respect; and
- the dissolution of our partnership and the reconstitution of our partnership upon dissolution.

Other actions require the unitholder approval described below:

- the withdrawal of our general partner prior to September 30, 2014 in a manner that would cause a dissolution of our partnership, in most circumstances requires the approval of a majority of the common units, excluding common units held by the general partner and its affiliates;
- the removal of our general partner requires not less than 66 2/3% of the outstanding units, including units held by our general partner and its affiliates;
- the transfer of the general partner interest to a third party prior to September 30, 2014 in most circumstances requires the approval of a majority of the common units, excluding common units held by the general partner and its affiliates; and
- the transfer of incentive distribution rights to a third party prior to September 30, 2014 in most circumstances requires the approval of a majority of the common units, excluding common units held by the general partner and its affiliates.

Limited Call Right

If at any time our general partner and its affiliates own more than 80% of the then-issued and outstanding limited partner interests of any class, our general partner will have the right, but not the obligation, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the remaining limited partner interests of the class held by unaffiliated persons as of a record date to be selected by our general partner, on at least 10 but not more than 60 days notice. The purchase price in the event of this purchase is the greater of:

- the highest cash price paid by either of our general partner or any of its affiliates for any limited partner interests of the class purchased within the 90 days preceding the date on which our general partner first mails notice of its election to purchase those limited partner interests; and

- the current market price as of the date three days before the date the notice is mailed.

As a result of our general partner s right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased at an undesirable time or price.

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The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of his common units in the market. See Material U.S. Federal Income Tax Consequences Disposition of Units.

Meetings; Voting

Except as described below regarding a person or group owning 20% or more of any class of units then outstanding, unitholders or assignees who are record holders of units on the record date are entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited. Common units that are owned by an assignee who is a record holder, but who has not yet been admitted as a substituted limited partner, shall be voted by our general partner at the written direction of the record holder. Absent direction of this kind, the common units will not be voted, except that, in the case of common units held by our general partner on behalf of non-citizen assignees, our general partner shall distribute the votes on those common units in the same ratios as the votes of limited partners on other units are cast.

Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or without a meeting if consents in writing describing the action so taken are signed by holders of the number of units as would be necessary to authorize or take that action at a meeting. Meetings of the unitholders may be called by our general partner or by unitholders owning at least 20% of the outstanding units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding units of the class or classes for which a meeting has been called represented in person or by proxy shall constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum shall be the greater percentage.

Each record holder of a unit has a vote according to his percentage interest in our partnership, although additional limited partner interests having special voting rights could be issued. However, if at any time any person or group, other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates or a person or group who acquires the units with the prior approval of the board of directors, acquires, in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, the person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum or for other similar purposes. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise. Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of common units under our partnership agreement will be delivered to the record holder by us or by the transfer agent.

Books and Reports

Our general partner is required to keep appropriate books of our business at our principal offices. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For tax and fiscal reporting purposes, our fiscal year is the calendar year.

We will furnish or make available to record holders of common units, within 120 days after the close of each fiscal year, an annual report containing audited financial statements and a report on those financial statements by our independent public accountants. Except for our fourth quarter, we will also furnish or make available summary financial information within 90 days after the close of each quarter.

We will furnish each record holder of a unit with information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. This information is expected to be furnished in summary form so that some complex calculations normally required of partners can be avoided. Our ability to furnish this

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summary information to unitholders will depend on the cooperation of unitholders in supplying us with specific information. Every unitholder will receive information to assist him in determining his federal and state tax liability and filing his federal and state income tax returns, regardless of whether he supplies us with information.

Right to Inspect Our Books and Records

Our partnership agreement provides that a limited partner can, for a purpose reasonably related to his interest as a limited partner, upon reasonable demand and at his own expense, have furnished to him:

- a current list of the name and last known address of each partner;
- a copy of our tax returns;
- information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each partner and the date on which each partner became a partner;
- copies of our partnership agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed;
- information regarding the status of our business and financial condition; and
- any other information regarding our affairs as is just and reasonable.

Our general partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our general partner believes in good faith is not in our best interests or that we are required by law or by agreements with third parties to keep confidential.

Listing

Our common units are traded on the NYSE under the symbol STON.

Transfer Agent and Registrar Duties

American Stock Transfer and Trust Company, LLC serves as registrar and transfer agent for the common units. We will pay all fees charged by the transfer agent for transfers of common units except the following fees that will be paid by unitholders:

- surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges,

special charges for services requested by a holder of a common unit, and

other similar fees or charges.

There will be no charge to unitholders for disbursements of our cash distributions. We will indemnify the transfer agent, its agents and each of their shareholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

The transfer agent may resign, by notice to us, or be removed by us. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If no successor has been appointed and accepted the appointment within 30 days after notice of the resignation or removal, our general partner is authorized to act as the transfer agent and registrar until a successor is appointed.

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Transfer of Common Units

Any transfer of a common unit will not be recorded by the transfer agent or recognized by us unless the transferee executes and delivers a transfer application. By executing and delivering a transfer application, the transferee of common units:

- becomes the record holder of the common units and is an assignee until admitted into our partnership as a substituted limited partner;
- automatically requests admission as a substituted limited partner in our partnership;
- agrees to be bound by the terms and conditions of, and executes, our partnership agreement;
- represents that the transferee has the capacity, power and authority to enter into our partnership agreement;
- grants powers of attorney to officers of the general partner and any liquidator of our partnership as specified in our partnership agreement; and
- gives the consents and approvals contained in the partnership agreement.

An assignee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records. The general partner will cause any unrecorded transfer for which a completed and duly executed transfer application has been received to be recorded on our books and records no less frequently than quarterly.

A transferee s broker, agent or nominee may complete, execute and deliver a transfer application. We may, at our discretion, treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holders rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and are transferable according to the laws governing transfers of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to request admission as a substituted limited partner in our partnership for the transferred common units. A purchaser or transferee of common units who does not execute and deliver a transfer application obtains only:

- the right to assign the common unit to a purchaser or other transferee; and
- the right to transfer the right to seek admission as a substituted limited partner in our partnership for the transferred common units.

Thus, a purchaser or transferee of common units who does not execute and deliver a transfer application:

- will not receive cash distributions or federal income tax allocations, unless the common units are held in a nominee or street name account and the nominee or broker has executed and delivered a transfer application and certification with respect to itself and any beneficial holders; and

- may not receive some federal income tax information or reports furnished to record holders of common units.

The transferor of common units will have a duty to provide the transferee with all information that may be necessary to transfer the common units. The transferor will not have a duty to insure the execution of the transfer application and certification by the transferee and will have no liability or responsibility if the transferee neglects or chooses not to execute and forward the transfer application and certification to the transfer agent.

Until a common unit has been transferred on our books, we and the transfer agent may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

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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.

We are prohibited from making any distributions to unitholders if the distributions would cause an event of default, or if an event of default is existing, under our debt agreements.

General Partner Interest and Incentive Distribution Rights

Our general partner is entitled to 1.83% 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 current general partner interest. The general partner s 1.83% 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 1.83% general partner interest.

Our general partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 49.83%, of the cash we distribute from operating surplus in excess of $0.5125 per unit. The maximum distribution of 49.83% includes distributions paid to the general partner on its 1.83% general partner interest, and assumes that the general partner maintains its general partner interest at 1.83%, but does not include any distributions that the general partner may receive on units that it owns.

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

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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 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 assets in the ordinary course of business; and sales or other dispositions of assets as a part of normal retirements or replacements).

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The exception for sales of excess cemetery property in any four-quarter period 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.

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. 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 1.83% general partner interest and assume the general partner has contributed any additional capital required to maintain its 1.83% 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	98.17%	1.83%
Second Target Distribution	above $0.5125 up to $0.5875	85.17%	14.83%
Third Target Distribution	above $0.5875 up to $0.7125	75.17%	24.83%
Thereafter	above $0.7125	50.17%	49.83%

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, 98.17% to all common unitholders, pro rata, and 1.83% 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;

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 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 first target distribution, after any of these

distributions are made, it may be easier for the general partner to receive incentive distributions.

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 target distribution levels will be reduced to zero. Once the target distribution levels are reduced to zero, all subsequent distributions will be from operating surplus, with 50.17% being paid to the holders of units and 49.83% to our general partner.

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Adjustment of Target Distribution Levels

In addition to adjusting the 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 target distribution levels; and

the unrecovered initial unit price.

For example, if a two-for-one split of the common units should occur, 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 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 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 for the quarter during which liquidation occurs 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.

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DESCRIPTION OF THE OTHER CLASSES OF UNITS

Our partnership agreement authorizes us to issue an unlimited number of additional limited partner interests and other equity securities for the consideration and with the rights, preferences, and privileges established by our general partner without the approval of any of our limited partners. A copy of our partnership agreement is filed as an exhibit to the registration statement of which this prospectus is a part. A summary of the important provisions of our partnership agreement and the rights and privileges of our limited partners is included in our registration statement on Form 8-A as filed with the SEC on August 23, 2004, including any subsequent amendments or reports filed for the purpose of updating such description. Please read Where You Can Find More Information.

Should we offer other classes of units under this prospectus, a prospectus supplement relating to the particular class or series of units offered will include the specific terms of those units, including, among other things, the following:

- the designation, stated value, and liquidation preference of the units and the maximum number of units to constitute the class or series;
- the number of units to be offered;
- the public offering price at which the units will be issued;
- any sinking fund provisions of the units;
- the voting rights, if any, of the units;
- the distribution rights of the units, if any;
- whether the units will be redeemable and, if so, the price and the terms and conditions on which the units may be redeemed, including the time during which the units may be redeemed and any accumulated distributions thereof, if any, that the holders of the units will be entitled to receive upon the redemption thereof;
- the terms and conditions, if any, on which the units will be convertible into, or exchangeable for, the units of any other class or series of units representing limited partner interests, including the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same;
- a discussion of any additional material federal income tax considerations (other than as discussed in this prospectus), if any, regarding the units; and

any additional rights, preferences, privileges, limitations, and restrictions of the units.

The particular terms of any class or series of units will also be described in the amendment to our partnership agreement relating to that class or series of units, which will be filed as an exhibit to or incorporated by reference in this prospectus at or before the time of issuance of any such class or series of units.

Such units will be fully paid and non-assessable when issued upon full payment of the purchase price therefor. The transfer agent, registrar, and distributions disbursement agent for the units will be designated in the applicable prospectus supplement.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

This section summarizes the material U.S. federal income tax consequences that may be relevant to prospective common unitholders and is based upon current provisions of the U.S. Internal Revenue Code of 1986, as amended (the Code), existing and proposed U.S. Treasury regulations thereunder (the Treasury Regulations), and current administrative rulings and court decisions, all of which are subject to change. Changes in these authorities may cause the federal income tax consequences to a prospective common unitholder to vary substantially from those described below, possibly on a retroactive basis. Unless the context otherwise requires, references in this section to we or us are references to StoneMor Partners L.P.

Legal conclusions contained in this section, unless otherwise noted, are the opinion of Vinson & Elkins L.L.P. insofar as they related to matters of U.S. federal income tax law and are based on the accuracy of representations made by us to them for this purpose. However, this section does not address all federal income tax matters that affect us or our common unitholders and does not describe the application of the alternative minimum tax that may be applicable to certain unitholders. Furthermore, this section focuses on common unitholders who are individual citizens or residents of the United States (for federal income tax purposes), who have the U.S. dollar as their functional currency, who use the calendar year as their taxable year, and who hold common units as capital assets (generally, property that is held for investment). This section has limited applicability to corporations, partnerships, entities treated as partnerships for federal income tax purposes, estates, trusts, non-resident aliens or other common unitholders subject to specialized tax treatment, such as tax-exempt institutions, non-U.S. persons, individual retirement accounts (IRAs), employee benefit plans, real estate investment trusts or mutual funds. Accordingly, we encourage each common unitholder to consult such unitholder s own tax advisor in analyzing the federal, state, local and non-U.S. tax consequences that are particular to that unitholder resulting from ownership or disposition of its units and potential changes in applicable tax laws.

No ruling has been or will be requested from the Internal Revenue Service (IRS) regarding any matter affecting us. Instead, we are relying on opinions and advice of Vinson & Elkins L.L.P. with respect to the matters described herein. Unlike a ruling, an opinion of counsel represents only that counsel s best legal judgment and does not bind the IRS or a court. Accordingly, the opinions and statements made herein may not be sustained by a court if contested by the IRS. Any such contest of the matters described herein may materially and adversely impact the market for our units and the prices at which such units trade. In addition, our costs of any contest with the IRS will be borne indirectly by our common unitholders because the costs will reduce our cash available for distribution. Furthermore, the tax consequences of an investment in us may be significantly modified by future legislative or administrative changes or court decisions, which may be retroactively applied.

For the reasons described below, Vinson & Elkins L.L.P. has not rendered an opinion with respect to the following federal income tax issues: (1) the treatment of a common unitholder whose units are the subject of a securities loan (e.g., a loan to a short seller to cover a short sale of units) (please read Tax Consequences of Unit Ownership Treatment of Securities Loans); (2) whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations (please read Disposition of Units Allocations Between Transferors and Transferees); and (3) whether our method for taking into account Section 743 adjustments is sustainable in certain cases (please read Tax Consequences of Unit Ownership Section 754 Election and Uniformity of Units).

Taxation of the Partnership

Partnership Status

We expect to be treated as a partnership for U.S. federal income tax purposes and, therefore, generally will not be liable for entity-level federal income taxes. Instead, as described below, each of our common unitholders will take into account its respective share of our items of income, gain, loss and deduction in computing its

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federal income tax liability as if the common unitholder had earned such income directly, even if we make no cash distributions to the common unitholder.

Section 7704 of the Code generally provides that publicly traded partnerships will be treated as corporations for federal income tax purposes. However, if 90% or more of a partnership s gross income for every taxable year it is publicly traded consists of qualifying income, the partnership may continue to be treated as a partnership for federal income tax purposes (the Qualifying Income Exception). Qualifying income includes income and gains from the sale of real property, whether unimproved or improved with installed burial vaults and marker foundations, including burial lots, lawn crypts and mausoleum crypts conveyed by perpetual easements. Other types of qualifying income include interest (other than from a financial business) and dividends. We estimate that approximately 8% of our current gross income is not qualifying income; however, this estimate could change from time to time.

Based upon the factual representations made by us and our general partner, Vinson & Elkins L.L.P. is of the opinion that we will be treated as a partnership for federal income tax purposes. The representations made by us and our general partner upon which Vinson & Elkins L.L.P. has relied in rendering its opinion include, without limitation:

(a) Neither we nor any of our partnership or limited liability company subsidiaries has elected to be treated as a corporation for federal income tax purposes;

(b) For each taxable year, more than 90% of our gross income has been and will be income of a character that Vinson & Elkins L.L.P. has opined is qualifying income within the meaning of Section 7704(d) of the Code;

(c) All sales of burial lots, whether improved or unimproved, will be pursuant to contracts substantially in the form reviewed by Vinson & Elkins L.L.P.; and

(d) Burial vaults, marker foundations and mausoleum crypts are effectively permanently attached to the ground, are not intended to be moved and would likely sustain not insubstantial damage if moved.

We believe that these representations are true and will be true in the future.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require us to make adjustments with respect to our common unitholders or pay other amounts), we will be treated as transferring all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation and then as distributing that stock to our common unitholders in liquidation. This deemed contribution and liquidation should not result in the recognition of taxable income by our common unitholders or us so long as our liabilities do not exceed the tax basis of our assets. Thereafter, we would be treated as an association taxable as a corporation for federal income tax purposes.

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative or legislative action or judicial interpretation at any time. For example, from time to time, members of the U.S. Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships. One such legislative proposal would have eliminated the Qualifying Income Exception upon which we rely for our treatment as a partnership for U.S. federal income tax purposes. We are unable to predict whether any such changes will ultimately be enacted. However, it is possible that a change in law could affect us and may be applied retroactively. Any such changes could negatively impact the value of an investment in our units.

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If for any reason we are taxable as a corporation in any taxable year, our items of income, gain, loss and deduction would be taken into account by us in determining the amount of our liability for federal income tax, rather than being passed through to our common unitholders. Our taxation as a corporation would materially reduce the cash available for distribution to unitholders and thus would likely substantially reduce the value of our units. Any distribution made to a unitholder at a time we are treated as a corporation would be (i) a taxable dividend to the extent of our current or accumulated earnings and profits, then (ii) a nontaxable return of capital to the extent of the unitholder s tax basis in its units, and thereafter (iii) taxable capital gain.

The remainder of this discussion is based on the opinion of Vinson & Elkins L.L.P. that we will be treated as a partnership for federal income tax purposes.

Tax Consequences of Unit Ownership

Limited Partner Status

Common unitholders who are admitted as limited partners of the partnership as well as common unitholders whose units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of units, will be treated as partners of the partnership for federal income tax purposes. For a discussion related to the risks of losing partner status as a result of securities loans, please read Treatment of Securities Loans. Unitholders who are not treated as partners of the partnership as described above are urged to consult their own tax advisors with respect to the tax consequences applicable to them under their particular circumstances.

Flow-Through of Taxable Income

Subject to the discussion below under Entity-Level Collections of Unitholder Taxes with respect to payments we may be required to make on behalf of our common unitholders, we will not pay any federal income tax. Rather, each common unitholder will be required to report on its federal income tax return each year its share of our income, gains, losses and deductions for our taxable year or years ending with or within its taxable year. Consequently, we may allocate income to a common unitholder even if that unitholder has not received a cash distribution.

Basis of Units

A common unitholder s tax basis in its units initially will be the amount paid for those units increased by the unitholder s initial allocable share of our liabilities. That basis generally will be (i) increased by the unitholder s share of our income and any increases in such unitholder s share of our liabilities, and (ii) decreased, but not below zero, by the amount of all distributions to the unitholder, the unitholder s share of our losses, and any decreases in the unitholder s share of our liabilities. The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all of those interests.

Treatment of Distributions

Distributions by us to a common unitholder generally will not be taxable to the common unitholder, unless such distributions exceed the unitholder s tax basis in its common units, in which case the unitholder generally will recognize gain taxable in the manner described below under Disposition of Units.

Any reduction in a unitholder s share of our liabilities will be treated as a distribution by us of cash to that unitholder. A decrease in a unitholder s percentage interest in us because of our issuance of additional units may decrease the

unitholder s share of our liabilities. For purposes of the foregoing, a unitholder s share of our nonrecourse liabilities (liabilities for which no partner bears the economic risk of loss) generally will be based upon that unitholder s share of the unrealized appreciation (or depreciation) in our assets, to the extent thereof, with any excess liabilities allocated based on the unitholder s share of our profits. Please read Disposition of Units.

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A non-pro rata distribution of money or property (including a deemed distribution as a result of the reallocation of our liabilities described above) may cause a unitholder to recognize ordinary income, if the distribution reduces the unitholder s share of our unrealized receivables, including depreciation and depletion recapture and substantially appreciated inventory items, both as defined in Section 751 of the Code (Section 751 Assets). To the extent of such reduction, the unitholder would be deemed to receive its proportionate share of the Section 751 Assets and exchange such assets with us in return for a portion of the non-pro rata distribution. This deemed exchange generally will result in the unitholder s recognition of ordinary income in an amount equal to the excess of (1) the non-pro rata portion of that distribution over (2) the unitholder s tax basis (generally zero) in the Section 751 Assets deemed to be relinquished in the exchange.

Limitations on Deductibility of Losses

A common unitholder may not be entitled to deduct the full amount of loss we allocate to it because its share of our losses will be limited to the lesser of (i) the unitholder s tax basis in its units, and (ii) in the case of a unitholder that is an individual, estate, trust or certain types of closely-held corporations, the amount for which the unitholder is considered to be at risk with respect to our activities. In general, a unitholder will be at risk to the extent of its tax basis in its units, reduced by (1) any portion of that basis attributable to the unitholder s share of our liabilities, (2) any portion of that basis representing amounts otherwise protected against loss because of a guarantee, stop loss agreement or similar arrangement and (3) any amount of money the unitholder borrows to acquire or hold its units, if the lender of those borrowed funds owns an interest in us, is related to another unitholder or can look only to the units for repayment. A unitholder subject to the at risk limitation must recapture losses deducted in previous years to the extent that distributions (including distributions deemed to result from a reduction in a unitholder s share of nonrecourse liabilities) cause the unitholder s at risk amount to be less than zero at the end of any taxable year.

Losses disallowed to a common unitholder or recaptured as a result of the basis or at risk limitations will carry forward and will be allowable as a deduction in a later year to the extent that the unitholder s tax basis or at risk amount, whichever is the limiting factor, is subsequently increased. Upon a taxable disposition of units, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at risk limitation but not losses suspended by the basis limitation. Any loss previously suspended by the at risk limitation in excess of that gain can no longer be used, and will not be available to offset a unitholder s salary or active business income.

In addition to the basis and at risk limitations, a passive activity loss limitation generally limits the deductibility of losses incurred by individuals, estates, trusts, some closely-held corporations and personal service corporations from passive activities (generally, trade or business activities in which the taxpayer does not materially participate). The passive loss limitations are applied separately with respect to each publicly-traded partnership. Consequently, any passive losses we generate will be available to offset only passive income generated by us. Passive losses that exceed a unitholder s share of passive income we generate may be deducted in full when the unitholder disposes of all of its units in a fully taxable transaction with an unrelated party. The passive loss rules generally are applied after other applicable limitations on deductions, including the at risk and basis limitations.

Limitations on Interest Deductions

The deductibility of a non-corporate taxpayer s investment interest expense generally is limited to the amount of that taxpayer s net investment income. Investment interest expense includes:

interest on indebtedness allocable to property held for investment;

interest expense allocated against portfolio income; and

the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent allocated against portfolio income.

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The computation of a common unitholder s investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses other than interest directly connected with the production of investment income. Net investment income generally does not include qualified dividend income (if applicable) or gains attributable to the disposition of property held for investment. A common unitholder s share of a publicly traded partnership s portfolio income and, according to the IRS, net passive income will be treated as investment income for purposes of the investment interest expense limitation.

Entity-Level Collections of Unitholder Taxes

If we are required or elect under applicable law to pay any federal, state, local or non-U.S. tax on behalf of any current or former common unitholder, we are authorized to treat the payment as a distribution of cash to the relevant unitholder. Where the tax is payable on behalf of all unitholders or we cannot determine the specific unitholder on whose behalf the tax is payable, we are authorized to treat the payment as a distribution to all current unitholders. We are authorized to amend our partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under our partnership agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of a common unitholder, in which event the common unitholder may be entitled to claim a refund of the overpayment amount. Common unitholders are urged to consult their tax advisors to determine the consequences to them of any tax payment we make on their behalf.

Allocation of Income, Gain, Loss and Deduction

Our items of income, gain, loss and deduction generally will be allocated among our common unitholders in accordance with their percentage interests in us. At any time that incentive distributions are made to our general partner, gross income will be allocated to the recipients to the extent of these distributions

Specified items of our income, gain, loss and deduction will be allocated under Section 704(c) of the Code (or the principles of Section 704(c) of the Code) to account for any difference between the tax basis and fair market value of our assets at the time such assets are contributed to us and at the time of any subsequent offering of our units (a Book-Tax Disparity). As a result, the federal income tax burden associated with any Book-Tax Disparity immediately prior to an offering generally will be borne by our partners holding interests in us prior to such offering. In addition, items of recapture income will be specially allocated to the extent possible to the unitholder who was allocated the deduction giving rise to that recapture income in order to minimize the recognition of ordinary income by other unitholders.

An allocation of items of our income, gain, loss or deduction, other than an allocation required by the Code to eliminate a Book-Tax Disparity, will generally be given effect for federal income tax purposes in determining a partner s share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a partner s share of an item will be determined on the basis of the partner s interest in us, which will be determined by taking into account all the facts and circumstances, including (i) the partner s relative contributions to us, (ii) the interests of all the partners in profits and losses, (iii) the interest of all the partners in cash flow and (iv) the rights of all the partners to distributions of capital upon liquidation. Vinson & Elkins L.L.P. is of the opinion that, with the exception of the issues described in Section 754 Election and Disposition of Units Allocations Between Transferors and Transferees, allocations of income, gain, loss or deduction under our partnership agreement will be given effect for federal income tax purposes.

Treatment of Securities Loans

A unitholder whose units are loaned (for example, a loan to a short seller to cover a short sale of units) may be treated as having disposed of those units. If so, such unitholder would no longer be treated for tax

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purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period (i) any of our income, gain, loss or deduction allocated to those units would not be reportable by the lending unitholder and (ii) any cash distributions received by the unitholder as to those units may be treated as ordinary taxable income.

Due to a lack of controlling authority, Vinson & Elkins L.L.P. has not rendered an opinion regarding the tax treatment of a unitholder that enters into a securities loan with respect to its units. Unitholders desiring to assure their status as partners and avoid the risk of income recognition from a loan of their units are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and lending their units. The IRS has announced that it is studying issues relating to the tax treatment of short sales of partnership interests. Please read Disposition of Units Recognition of Gain or Loss.

Tax Rates

Under current law, the highest marginal federal income tax rates for individuals applicable to ordinary income and long-term capital gains (generally, gains from the sale or exchange of certain investment assets held for more than one year) are 39.6% and 20%, respectively. These rates are subject to change by new legislation at any time.

In addition, a 3.8% net investment income tax (NIIT) applies to certain net investment income earned by individuals, estates, and trusts. For these purposes, net investment income generally includes a common unitholder s allocable share of our income and gain realized by a common unitholder from a sale of units. In the case of an individual, the tax will be imposed on the lesser of (i) the common unitholder s net investment income from all investments, or (ii) the amount by which the common unitholder s modified adjusted gross income exceeds $250,000 (if the common unitholder is married and filing jointly or a surviving spouse), $125,000 (if married filing separately) or $200,000 (if the unitholder is unmarried or in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (i) undistributed net investment income, or (ii) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

Section 754 Election

We have made the election permitted by Section 754 of the Code that permits us to adjust the tax bases in our assets as to specific purchasers of our units under Section 743(b) of the Code. That election is irrevocable without the consent of the IRS. The Section 743(b) adjustment separately applies to each purchaser of common units based upon the values and bases of our assets at the time of the relevant purchase, and the adjustment will reflect the purchase price paid. The Section 743(b) adjustment does not apply to a person who purchases units directly from us.

Under our partnership agreement, we are authorized to take a position to preserve the uniformity of units even if that position is not consistent with applicable Treasury Regulations. A literal application of Treasury Regulations governing a 743(b) adjustment attributable to properties depreciable under Section 167 of the Code may give rise to differences in the taxation of unitholders purchasing units from us and unitholders purchasing from other unitholders. If we have any such properties, we intend to adopt methods employed by other publicly traded partnerships to preserve the uniformity of units, even if inconsistent with existing Treasury Regulations, and Vinson & Elkins L.L.P. has not opined on the validity of this approach. Please read Uniformity of Units.

The IRS may challenge the positions we adopt with respect to depreciating or amortizing the Section 743(b) adjustment we take to preserve the uniformity of units due to lack of controlling authority. Because a unitholder s tax basis for its units is reduced by its share of our items of deduction or loss, any position we take that understates deductions will overstate a unitholder s basis in its units, and may cause the unitholder to understate gain or overstate

loss on any sale of such units. Please read Disposition of Units Recognition of Gain or

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Loss. If a challenge to such treatment were sustained, the gain from the sale of units may be increased without the benefit of additional deductions.

The calculations involved in the Section 754 election are complex and are made on the basis of assumptions as to the value of our assets and other matters. The IRS could seek to reallocate some or all of any Section 743(b) adjustment we allocated to our assets subject to depreciation to goodwill or non-depreciable assets. Goodwill, as an intangible asset, is generally amortizable over a longer period of time or under a less accelerated method than our tangible assets. We cannot assure any unitholder that the determinations we make will not be successfully challenged by the IRS or that the resulting deductions will not be reduced or disallowed altogether. Should the IRS require a different tax basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754 election. If permission is granted, a subsequent purchaser of units may be allocated more income than it would have been allocated had the election not been revoked.

Tax Treatment of Operations

Accounting Method and Taxable Year

We use the year ending December 31 as our taxable year and the accrual method of accounting for federal income tax purposes. Each common unitholder will be required to include in its tax return its share of our income, gain, loss and deduction for each taxable year ending within or with its taxable year. In addition, a common unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of its units following the close of our taxable year but before the close of its taxable year must include its share of our income, gain, loss and deduction in income for its taxable year, with the result that it will be required to include in income for its taxable year its share of more than twelve months of our income, gain, loss and deduction. Please read Disposition of Units Allocations Between Transferors and Transferees.

Tax Basis, Depreciation and Amortization

The tax basis of our assets will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of those assets. If we dispose of depreciable property by sale, foreclosure or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation and depletion deductions previously taken, may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a unitholder who has taken cost recovery or depreciation deductions with respect to property we own will likely be required to recapture some or all of those deductions as ordinary income upon a sale of its interest in us. Please read Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction.

The costs we incur in offering and selling our units (called syndication expenses) must be capitalized and cannot be deducted currently, ratably or upon our termination. While there are uncertainties regarding the classification of costs as organization expenses, which may be amortized by us, and as syndication expenses, which may not be amortized by us, the underwriting discounts and commissions we incur will be treated as syndication expenses. Please read Disposition of Units Recognition of Gain or Loss.

Valuation and Tax Basis of Our Properties

The federal income tax consequences of the ownership and disposition of units will depend in part on our estimates of the relative fair market values and the tax bases of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make many of the relative fair market value estimates ourselves. These estimates and determinations of tax basis are subject to challenge and will not be binding on the IRS

or the courts. If the estimates of fair market value or basis are later found to be incorrect, the character and amount of items of income, gain, loss or deduction previously reported by common unitholders

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could change, and common unitholders could be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

Disposition of Units

Recognition of Gain or Loss

A common unitholder will be required to recognize gain or loss on a sale of units equal to the difference between the unitholder s amount realized and tax basis in the units sold. A common unitholder s amount realized generally will equal the sum of the cash and the fair market value of other property it receives plus its share of our liabilities with respect to the units sold. Because the amount realized includes a unitholder s share of our liabilities, the gain recognized on the sale of units could result in a tax liability in excess of any cash received from the sale.

Except as noted below, gain or loss recognized by a common unitholder on the sale or exchange of a unit held for more than one year generally will be taxable as long-term capital gain or loss. However, gain or loss recognized on the disposition of units will be separately computed and taxed as ordinary income or loss under Section 751 of the Code to the extent attributable to Section 751 Assets, such as depreciation or depletion recapture and our inventory items, regardless of whether such inventory item is substantially appreciated in value. Ordinary income attributable to Section 751 Assets may exceed net taxable gain realized on the sale of a unit and may be recognized even if there is a net taxable loss realized on the sale of a unit. Thus, a unitholder may recognize both ordinary income and capital gain or loss upon a sale of units. Net capital loss may offset capital gains and, in the case of individuals, up to $3,000 of ordinary income per year.

For purposes of calculating gain or loss on the sale of units, the unitholder s adjusted tax basis will be adjusted by its allocable share of our income or loss in respect of its units for the year of the sale. Furthermore, as described above, the IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all of those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an equitable apportionment method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same relation to the partner s tax basis in its entire interest in the partnership as the value of the interest sold bears to the value of the partner s entire interest in the partnership.

Treasury Regulations under Section 1223 of the Code allow a selling common unitholder who can identify units transferred with an ascertainable holding period to elect to use the actual holding period of the units transferred. Thus, according to the ruling discussed in the paragraph above, a unitholder will be unable to select high or low basis units to sell as would be the case with corporate stock, but, according to the Treasury Regulations, it may designate specific units sold for purposes of determining the holding period of the units transferred. A unitholder electing to use the actual holding period of units transferred must consistently use that identification method for all subsequent sales or exchanges of our units. A unitholder considering the purchase of additional units or a sale of units purchased in separate transactions is urged to consult its tax advisor as to the possible consequences of this ruling and application of the Treasury Regulations.

Specific provisions of the Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an appreciated financial position, including a partnership interest with respect to which gain would be recognized if it were sold, assigned or terminated at its fair market value, in the event the taxpayer or a related person enters into:

a short sale;

an offsetting notional principal contract; or

a futures or forward contract with respect to the partnership interest or substantially identical property.

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Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is authorized to issue Treasury Regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations Between Transferors and Transferees

In general, our taxable income or loss will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the common unitholders in proportion to the number of units owned by each of them as of the opening of the applicable exchange on the first business day of the month (the Allocation Date). However, gain or loss realized on a sale or other disposition of our assets or, in the discretion of the general partner, any other extraordinary item of income, gain, loss or deduction will be allocated among the common unitholders on the Allocation Date in the month in which such income, gain, loss or deduction is recognized. As a result, a common unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

Although simplifying conventions are contemplated by the Code and most publicly traded partnerships use similar simplifying conventions, the use of this method may not be permitted under existing Treasury Regulations. Recently, however, the Department of the Treasury and the IRS issued proposed Treasury Regulations that provide a safe harbor pursuant to which a publicly traded partnership may use a similar monthly simplifying convention to allocate tax items among transferor and transferee common unitholders, although such tax items must be prorated on a daily basis. Nonetheless, the proposed regulations do not specifically authorize the use of the proration method we have adopted. Accordingly, Vinson & Elkins L.L.P. is unable to opine on the validity of this method of allocating income and deductions between transferee and transferor common unitholders. If this method is not allowed under the final Treasury Regulations, or only applies to transfers of less than all of the common unitholder s interest, our taxable income or losses might be reallocated among the common unitholders. We are authorized to revise our method of allocation between transferee and transferor common unitholders, as well as among common unitholders whose interests vary during a taxable year, to conform to a method permitted under future Treasury Regulations.

A common unitholder who disposes of units prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deduction attributable to the month of disposition but will not be entitled to receive a cash distribution for that period.

Notification Requirements

A common unitholder who sells or purchases any units is generally required to notify us in writing of that transaction within 30 days after the transaction (or, if earlier, January 15 of the year following the transaction in the case of a seller). Upon receiving such notifications, we are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify us of a transfer of units may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the United States and who effects the sale through a broker who will satisfy such requirements.

Constructive Termination

We will be considered to have constructively terminated as a partnership for federal income tax purposes upon the sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For such purposes, multiple sales of the same unit are counted only once. A constructive termination results in the closing of

our taxable year for all unitholders. In the case of a unitholder reporting on a taxable year

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other than the calendar year, the closing of our taxable year may result in more than twelve months of our taxable income or loss being includable in such unitholder s taxable income for the year of termination.

A constructive termination occurring on a date other than December 31 generally would require that we file two tax returns for one fiscal year thereby increasing our administration and tax preparation costs. However, pursuant to an IRS relief procedure the IRS may allow a constructively terminated partnership to provide a single Schedule K-1 for the calendar year in which a termination occurs. Following a constructive termination, we would be required to make new tax elections, including a new election under Section 754 of the Code, and the termination would result in a deferral of our deductions for depreciation. A termination could also result in penalties if we were unable to determine that the termination had occurred. Moreover, a termination may either accelerate the application of, or subject us to, any tax legislation enacted before the termination that would not otherwise have been applied to us as a continuing as opposed to a terminating partnership.

Uniformity of Units

Because we cannot match transferors and transferees of units and other reasons, we must maintain uniformity of the economic and tax characteristics of the units to a purchaser of these units. In the absence of uniformity, we may be unable to completely comply with a number of federal income tax requirements. Any non-uniformity could have a negative impact on the value of the units. Please read Tax Consequences of Unit Ownership Section 754 Election.

Our partnership agreement permits our general partner to take positions in filing our tax returns that preserve the uniformity of our units. These positions may include reducing the depreciation, amortization or loss deductions to which a unitholder would otherwise be entitled or reporting a slower amortization of Section 743(b) adjustments for some unitholders than that to which they would otherwise be entitled. Vinson & Elkins L.L.P. is unable to opine as to the validity of such filing positions.

A common unitholder s basis in units is reduced by its share of our deductions (whether or not such deductions were claimed on an individual income tax return) so that any position that we take that understates deductions will overstate the unitholder s basis in its units, and may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read Disposition of Units Recognition of Gain or Loss above and Tax Consequences of Unit Ownership Section 754 Election above. The IRS may challenge one or more of any positions we take to preserve the uniformity of units. If such a challenge were sustained, the uniformity of units might be affected, and, under some circumstances, the gain from the sale of units might be increased without the benefit of additional deductions.

Tax-Exempt Organizations and Other Investors

Ownership of units by employee benefit plans and other tax-exempt organizations as well as by non-resident alien individuals, non-U.S. corporations and other non-U.S. persons (collectively, Non-U.S. Unitholders) raises issues unique to those investors and, as described below, may have substantially adverse tax consequences to them. Prospective unitholders that are tax-exempt entities or non-U.S. unitholders should consult their tax advisors before investing in our units. Employee benefit plans and most other tax-exempt organizations, including IRAs and other retirement plans, are subject to federal income tax on unrelated business taxable income. Virtually all of our income will be unrelated business taxable income and will be taxable to a tax-exempt unitholder.

Non-U.S. unitholders are taxed by the United States on income effectively connected with the conduct of a U.S. trade or business (effectively connected income) and on certain types of U.S.-source non-effectively connected income (such as dividends), unless exempted or further limited by an income tax treaty will be considered to be engaged in business in the United States because of their ownership of our units. Furthermore, is it probable that they will be

deemed to conduct such activities through permanent establishments in the

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United States within the meaning of applicable tax treaties. Consequently, they will be required to file federal tax returns to report their share of our income, gain, loss or deduction and pay federal income tax on their share of our net income or gain in a manner similar to a taxable U.S. unitholder. Moreover, under rules applicable to publicly traded partnerships, distributions to non-U.S. unitholders are subject to withholding at the highest applicable effective tax rate. Each non-U.S. unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN or applicable substitute form in order to obtain credit for these withholding taxes.

In addition, because a non-U.S. unitholder classified as a corporation will be treated as engaged in a United States trade or business, that corporation may be subject to the U.S. branch profits tax at a rate of 30%, in addition to regular federal income tax, on its share of our income and gain as adjusted for changes in the foreign corporation s U.S. net equity to the extent reflected in the corporation s effectively connected earnings and profits. That tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the foreign corporate unitholder is a qualified resident. In addition, this type of unitholder is subject to special information reporting requirements under Section 6038C of the Code.

A non-U.S. unitholder who sells or otherwise disposes of a unit will be subject to federal income tax on gain realized from the sale or disposition of that unit to the extent the gain is effectively connected with a U.S. trade or business of the non-U.S. unitholder. Under a ruling published by the IRS interpreting the scope of effectively connected income, gain recognized by a non-U.S. person from the sale of its interest in a partnership that is engaged in a trade or business in the United States will be considered to be effectively connected with a U.S. trade or business. Thus, part or all of a non-U.S. unitholder s gain from the sale or other disposition of its units may be treated as effectively connected with a unitholder s indirect U.S. trade or business constituted by its investment in us. Moreover, under the Foreign Investment in Real Property Tax Act, a non-U.S. unitholder generally will be subject to federal income tax upon the sale or disposition of a unit if (i) it owned (directly or indirectly constructively applying certain attribution rules) more than 5% of our units at any time during the five-year period ending on the date of such disposition and (ii) 50% or more of the fair market value of our worldwide real property interests and our other assets used or held for use in a trade or business consisted of U.S. real property interests (which include U.S. real estate (including land, improvements, and certain associated personal property) and interests in certain entities holding U.S. real estate) at any time during the shorter of the period during which such unitholder held the units or the 5-year period ending on the date of disposition. Currently, more than 50% of our assets consist of U.S. real property interests and we do not expect that to change in the foreseeable future. Therefore, non-U.S. unitholders may be subject to federal income tax on gain from the sale or disposition of their units.

Administrative Matters

Information Returns and Audit Procedures

We intend to furnish to each common unitholder, within 90 days after the close of each taxable year, specific tax information, including a Schedule K-1, which describes its share of our income, gain, loss and deduction for our preceding taxable year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each common unitholder s share of income, gain, loss and deduction. We cannot assure our common unitholders that those positions will yield a result that conforms to all of the requirements of the Code, Treasury Regulations or administrative interpretations of the IRS.

The IRS may audit our federal income tax information returns. Neither we nor Vinson & Elkins L.L.P. can assure prospective common unitholders that the IRS will not successfully challenge the positions we adopt, and such a

challenge could adversely affect the value of the units. Adjustments resulting from an IRS audit may require each common unitholder to adjust a prior year s tax liability and may result in an audit of the unitholder s own return. Any audit of a common unitholder s return could result in adjustments unrelated to our returns.

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Publicly traded partnerships generally are treated as entities separate from their owners for purposes of federal income tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings of the partners. The Code requires that one partner be designated as the Tax Matters Partner for these purposes, and our partnership agreement designates our general partner.

The Tax Matters Partner has made and will make some elections on our behalf and on behalf of common unitholders. The Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against common unitholders for items in our returns. The Tax Matters Partner may bind a common unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that common unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the common unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any common unitholder having at least a 1% interest in profits or by any group of common unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review may go forward, and each common unitholder with an interest in the outcome may participate in that action.

A common unitholder must file a statement with the IRS identifying the treatment of any item on its federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a common unitholder to substantial penalties.

Nominee Reporting

Persons who hold an interest in us as a nominee for another person are required to furnish to us:

(1) the name, address and taxpayer identification number of the beneficial owner and the nominee;

(2) a statement regarding whether the beneficial owner is:

(a) a non-U.S. person;

(b) a non-U.S. government, an international organization or any wholly owned agency or instrumentality of either of the foregoing; or

(c) a tax-exempt entity;

(3) the amount and description of units held, acquired or transferred for the beneficial owner; and

(4) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on units they acquire, hold or transfer for their own account. A penalty of $100 per failure, up to a maximum of $1.5 million per calendar year, is imposed by the Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

Accuracy-Related Penalties

Certain penalties may be imposed on taxpayers as a result of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements. No penalty will be imposed, however,

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for any portion of any such underpayment if it is shown that there was a reasonable cause for the underpayment of that portion and that the taxpayer acted in good faith regarding the underpayment of that portion. Penalties may also be imposed for engaging in transactions without economic substance. We do not anticipate engaging in transactions without economic substance or otherwise participating in transactions that would subject our unitholders to accuracy-related penalties.

State, Local, Non-U.S. and Other Tax Considerations

In addition to federal income taxes, common unitholders may be subject to other taxes, including state and local and non-U.S. income taxes, unincorporated business taxes, and estate, inheritance or intangibles taxes that may be imposed by the various jurisdictions in which we conduct business or own property or in which the common unitholder is a resident. Moreover, we may also own property or do business in other states in the future that impose income or similar taxes on nonresident individuals. Although an analysis of those various taxes is not presented here, each prospective common unitholder should consider their potential impact on its investment in us.

Although you may not be required to file a return and pay taxes in some jurisdictions because your income from that jurisdiction falls below the filing and payment requirement, you will be required to file income tax returns and to pay income taxes in many of these jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. Some of the jurisdictions may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the jurisdiction. Withholding, the amount of which may be greater or less than a particular unitholder s income tax liability to the jurisdiction, generally does not relieve a nonresident unitholder from the obligation to file an income tax return.

It is the responsibility of each common unitholder to investigate the legal and tax consequences, under the laws of pertinent jurisdictions, of its investment in us. We strongly recommend that each prospective common unitholder consult, and depend on, its own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each common unitholder to file all state, local, and non-U.S., as well as U.S. federal tax returns that may be required of it. Vinson & Elkins L.L.P. has not rendered an opinion on the state, local, alternative minimum tax or non-U.S. tax consequences of an investment in us.

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INVESTMENT BY EMPLOYEE BENEFIT PLANS

An investment in our common units or other classes of units representing limited partner interests by an employee benefit plan is subject to additional considerations because the investments of these plans are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and restrictions imposed by Section 4975 of the Code and may also be subject to other provisions under certain federal, state, local, non-U.S., or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, Similar Laws). For these purposes, the term employee benefit plan includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, simplified employee pension plans and tax deferred annuities or IRAs established or maintained by an employer or employee organization, and any entity deemed to hold the assets of such plans. Among other things, consideration should be given to:

- whether the investment is prudent under Section 404(a)(1)(B) of ERISA and any other applicable Similar Laws;
- whether, in making the investment, that plan will satisfy the diversification requirements of Section 404(a)(1)(C) of ERISA and any other applicable Similar Laws;
- whether the investment in our common units or other classes of units will result in recognition of unrelated business taxable income by the plan and, if so, the potential after-tax investment return (please read Material U.S. Federal Income Tax Consequences Tax-Exempt Organizations and Other Investors);
- whether making such an investment will comply with the delegation of control and prohibited transaction provisions of ERISA, the Code, and any other applicable Similar Laws (see discussion below);
- whether the investment is made solely in the interests of the plan participants; and
- whether the investment would create any problems for the plan s need for liquidity.

The person with investment discretion with respect to the assets of an employee benefit plan, often called a fiduciary, should determine whether an investment in our common units or other classes of units representing limited partner interests is authorized by the appropriate governing plan instruments and is a proper investment for the plan. In addition, a fiduciary of an employee benefit plan may not deal with the plan s assets in his own interest, represent a person whose interests are adverse to the plan s in a transaction involving plan assets, or receive any consideration from a third party in connection with a transaction involving plan assets. A violation of fiduciary requirements could result in liability for breach of fiduciary duty, disqualification from future fiduciary service, excise taxes, and other adverse consequences to the plan fiduciaries.

Section 406 of ERISA and Section 4975 of the Code prohibit employee benefit plans, and Section 4975 of the Code also prohibits IRAs that are not considered part of an employee benefit plan, from engaging in specified transactions involving plan assets with parties that are parties in interest under ERISA or that are disqualified persons under the Code with respect to the plan unless an exemption is available. A party in interest or disqualified person who engages

in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA, the Code, and other applicable Similar Laws. In addition, the fiduciary of the plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA, the Code, and other applicable Similar Laws.

In addition to considering whether the purchase of our securities is a prohibited transaction, a fiduciary of an employee benefit plan should consider whether the plan will, by investing in us, be deemed to own an undivided interest in our assets, with the result that our operations would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Code or any other applicable Similar Laws.

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The Department of Labor regulations provide guidance with respect to whether the assets of an entity in which employee benefit plans acquire equity interests would be deemed plan assets under some circumstances. Under these regulations, an entity s assets would not be considered to be plan assets if, among other things:

- the equity interests acquired by employee benefit plans are publicly offered securities i.e., the equity interests are widely held by 100 or more investors independent of the issuer and each other, freely transferable and registered under some provisions of the federal securities laws;

- the entity is an operating company, meaning it is primarily engaged in the production or sale of a product or service other than the investment of capital either directly or through a majority-owned subsidiary or subsidiaries; or

- there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest, disregarding some interests held by the general partner, its affiliates, and some other persons, is held by the employee benefit plans referred to above, IRAs and other employee benefit plans not subject to ERISA, including governmental plans.

Our assets should not be considered plan assets under these regulations because it is expected that the investment will satisfy the requirements in the first bullet. However, although we do not intend for our assets to be deemed plan assets under these regulations, we cannot provide assurances regarding this issue to any investor.

The foregoing discussion of issues arising for employee benefit plan investments under ERISA, the Code, and applicable Similar Laws is general in nature and is not intended to be all-inclusive, nor should it be construed as legal advice. In light of the complexity of these rules and the excise taxes, penalties, and liabilities that may be imposed on persons involved in non-exempt prohibited transactions or other violations, plan fiduciaries (or other persons considering purchasing the securities on behalf of, or with the assets of, any employee benefit plan) should consult with their own counsel regarding the consequences under ERISA, the Code and other Similar Laws. Accordingly, by acceptance of our securities, each buyer and subsequent transferee of the securities will be deemed to have represented and warranted that either (A) no portion of the assets used by the buyer or transferee to acquire and hold the securities constitutes assets of any employee benefit plan, or (B) the purchase and holding (and any conversion, if applicable) of the securities by such buyer or transferee will not constitute a non-exempt prohibited transaction under ERISA or the Code or a similar violation of any applicable Similar Laws.

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PLAN OF DISTRIBUTION

We may sell securities described in this prospectus and any accompanying prospectus supplement through underwriters, through broker-dealers, through agents or directly to one or more investors.

We will prepare a prospectus supplement for each offering that will disclose the terms of the offering, including the name or names of any underwriters, dealers or agents, the purchase price of the securities and the proceeds to us from the sale, any underwriting discounts and other items constituting compensation to underwriters, dealers or agents.

We will fix a price or prices of our securities at:

market prices prevailing at the time of any sale under this registration statement;

prices related to market prices; or

negotiated prices.

We may change the price of the securities offered from time to time.

If we use underwriters or dealers in the sale, they will acquire the securities for their own account, and they may resell these securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more of such firms. Unless otherwise disclosed in the prospectus supplement, the obligations of the underwriters to purchase securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all of the securities offered by the prospectus supplement if any of the securities are purchased. Any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

We may sell the securities through agents designated by us from time to time. We will name any agent involved in the offering and sale of the securities for which this prospectus is delivered, and disclose any commissions payable by us to the agent or the method by which the commissions can be determined, in the prospectus supplement. Unless otherwise indicated in the prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment.

Offers to purchase securities may be solicited directly by us and the sale thereof may be made by us directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended (the Securities Act) with respect to any resale thereof. The terms of any such sales will be described in the prospectus supplement relating thereto. We may use electronic media, including the Internet, to sell offered securities directly.

We may offer our common units into an existing trading market on the terms described in the prospectus supplement relating thereto. Underwriters, dealers and agents who participate in any at-the-market offerings will be described in the prospectus supplement relating thereto.

We may agree to indemnify underwriters, dealers and agents who participate in the distribution of securities against certain liabilities to which they may become subject in connection with the sale of the securities, including liabilities arising under the Securities Act.

Certain of the underwriters and their affiliates may be customers of, may engage in transactions with and may perform services for us or our affiliates in the ordinary course of business.

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A prospectus and accompanying prospectus supplement in electronic form may be made available on the web sites maintained by the underwriters. The underwriters may agree to allocate a number of securities for sale to their online brokerage account holders. Such allocations of securities for internet distributions will be made on the same basis as other allocations. In addition, securities may be sold by the underwriters to securities dealers who resell securities to online brokerage account holders.

The aggregate maximum compensation the underwriters will receive in connection with the sale of any securities under this prospectus and the registration statement of which it forms a part will not exceed 10% of the gross proceeds from the sale.

Because FINRA views our common units as interests in a direct participation program, any offering of common units under the registration statement of which this prospectus forms a part will be made in compliance with FINRA Rule 2310.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. The place and time of delivery for the securities in respect of which this prospectus is delivered will be set forth in the accompanying prospectus supplement.

In connection with offerings of securities under the registration statement of which this prospectus forms a part and in compliance with applicable law, underwriters, brokers or dealers may engage in transactions that stabilize or maintain the market price of the securities at levels above those that might otherwise prevail in the open market. Specifically, underwriters, brokers or dealers may over-allot in connection with offerings, creating a short position in the securities for their own accounts. For the purpose of covering a syndicate short position or stabilizing the price of the securities, the underwriters, brokers or dealers may place bids for the securities or effect purchases of the securities in the open market. Finally, the underwriters may impose a penalty whereby selling concessions allowed to syndicate members or other brokers or dealers for distribution of the securities in offerings may be reclaimed by the syndicate if the syndicate repurchases previously distributed securities in transactions to cover short positions, in stabilization transactions or otherwise. These activities may stabilize, maintain or otherwise affect the market price of the securities, which may be higher than the price that might otherwise prevail in the open market, and, if commenced, may be discontinued at any time.

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LEGAL MATTERS

Vinson & Elkins L.L.P. will pass upon the validity of the securities covered by this prospectus. If certain legal matters in connection with an offering of the securities covered by this prospectus and a related prospectus supplement are passed upon by counsel for the underwriters, if any, of such offering, that counsel will be named in the related prospectus supplement for such offering.

EXPERTS

The consolidated financial statements, incorporated in this Prospectus by reference from StoneMor Partners L.P. s Annual Report on Form 10-K and the effectiveness of StoneMor Partners L.P. s internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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Common Units

Representing Limited Partner Interests

Having an Aggregate Offering Price of Up to

$100,000,000

StoneMor Partners L.P.

PROSPECTUS SUPPLEMENT

FBR **MLV & Co.** **JANNEY MONTGOMERY SCOTT**

November 19, 2015