

Pope Resources L.P.

(NASDAQ: POPE)

Investor Presentation
December 2013

Safe Harbor

This presentation contains forward-looking statements. These forward-looking statements are subject to a number of risks and should not be relied upon as predictions of future events or promises of a given course of action. Some of the forward-looking statements can be identified by the use of forward-looking words such as “believes”, “expects”, “may”, “will”, “should”, “seeks”, “approximately”, “intends”, “plans”, “estimates”, “projects”, “strategy” or “anticipates” or the negative of those words or other comparable terminology. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those described in the forward-looking statements. Some of these factors include environmental issues affecting our properties; changes in forestry, land use, environmental, and other governmental regulations; risk of losses from fires, floods, windstorms, and other natural disasters; risk of loss from insect infestations or tree diseases; changes in economic conditions and competition in our domestic and export markets; an unanticipated reduction in the demand for timber products and/or an unanticipated increase in the supply of timber products; and other factors described from time to time in our filings with the Securities and Exchange Commission. Forward-looking statements are not guarantees of performance, and speak only as of the date made, and neither Pope Resources nor its management undertakes any obligation to update or revise any forward-looking statements.

POPE Fast Facts

- Spun out as MLP in 1985, located in Poulsbo, WA
- 4.4M units outstanding
- Market capitalization: ≈ \$300M
- 2012 revenue \$54M
- 9mo2013 revenue \$51.6M, up 25%
- 9mo2013 net income per unit: \$2.09
- 52 week unit price range: \$52.22 – \$74.99
- Forward annual dividend rate: \$2.20
- Tax-efficient partnership structure

Pacific Northwest Timber Pure-Play with Real Estate Upside

201,000 acres in western WA, northwest OR, and northern CA

- **110,000 acres owned by partnership and 91,000 owned acres by funds**
- **Contributed 88% of total revenue over past 3 years**

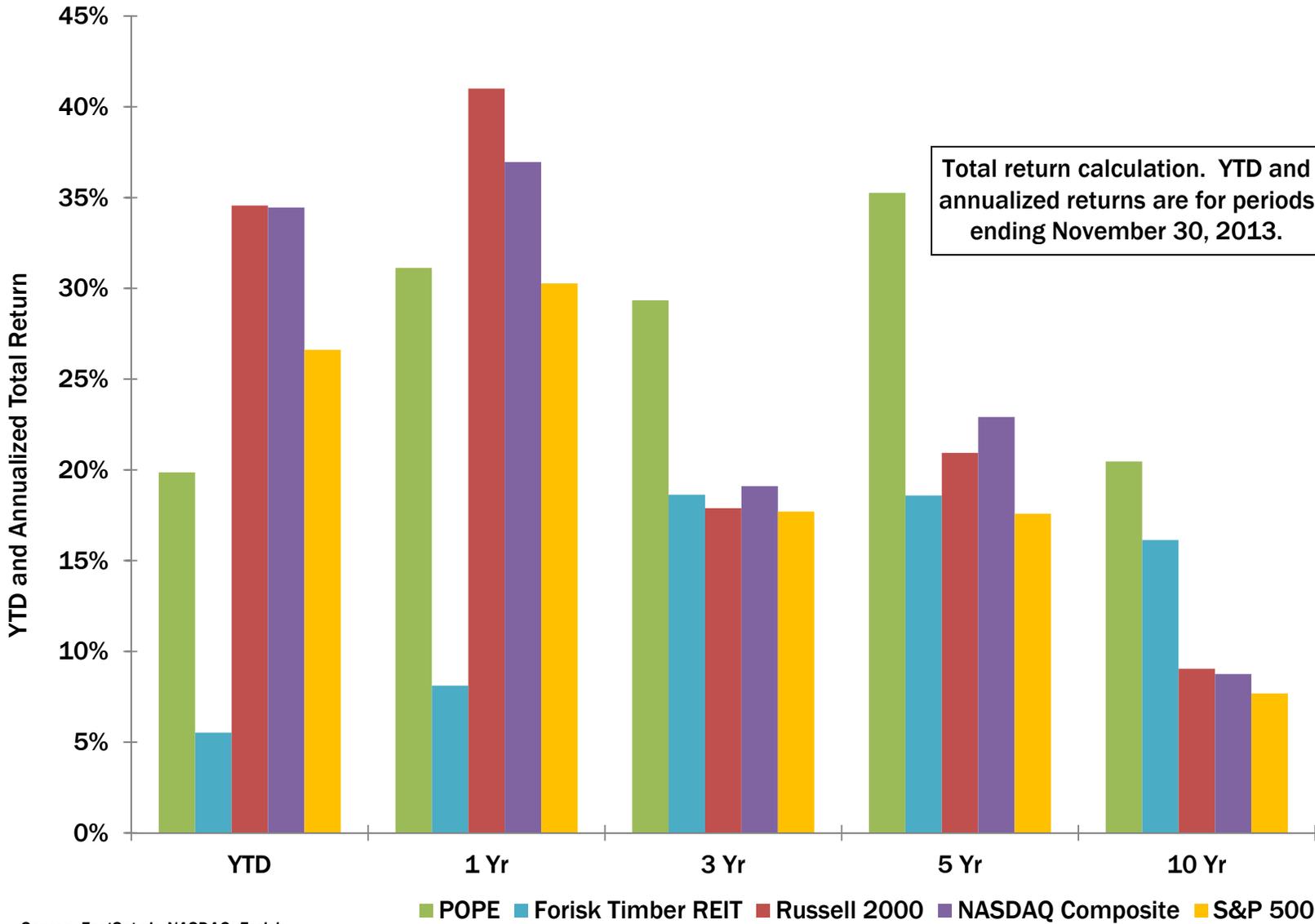
Timber expertise leveraged with 3 private equity timber funds

- **Assets under management of \$278M generate nearly \$3M of fees/year**
- **\$108M capital committed for investment in new timberland properties**

Seattle area real estate development

- **2,900-acre portfolio of properties in west Puget Sound**
- **Book value of \$36M including 1,600+ entitled lots**

Solid Long-term Investment Returns



Source: FactSet via NASDAQ, Forisk

Pacific Northwest Timber Pure-Play

Strategies

- Sustainably manage timberlands for long-term value maximization
- Adjust harvest timing to seasonal log price variations to optimize returns
- Funds leverage timber expertise, driving growth and economies of scale

Differentiating advantages

- 90% of lands tributary to 5 export log ports serving all 3 Asian markets
- Log sort mix heavy to Douglas-fir commands price premium
- Partnership structure enables tax-efficient timberland investment

Compelling Log Market Dynamics

Strong international demand for Pacific Northwest exports

- Surge in demand from China in recent years
- Stable market in Japan for high-quality Douglas-fir
- Exports grew from 15% of POPE's 2009 harvest to over 40% in 2013

Domestic dynamics improving

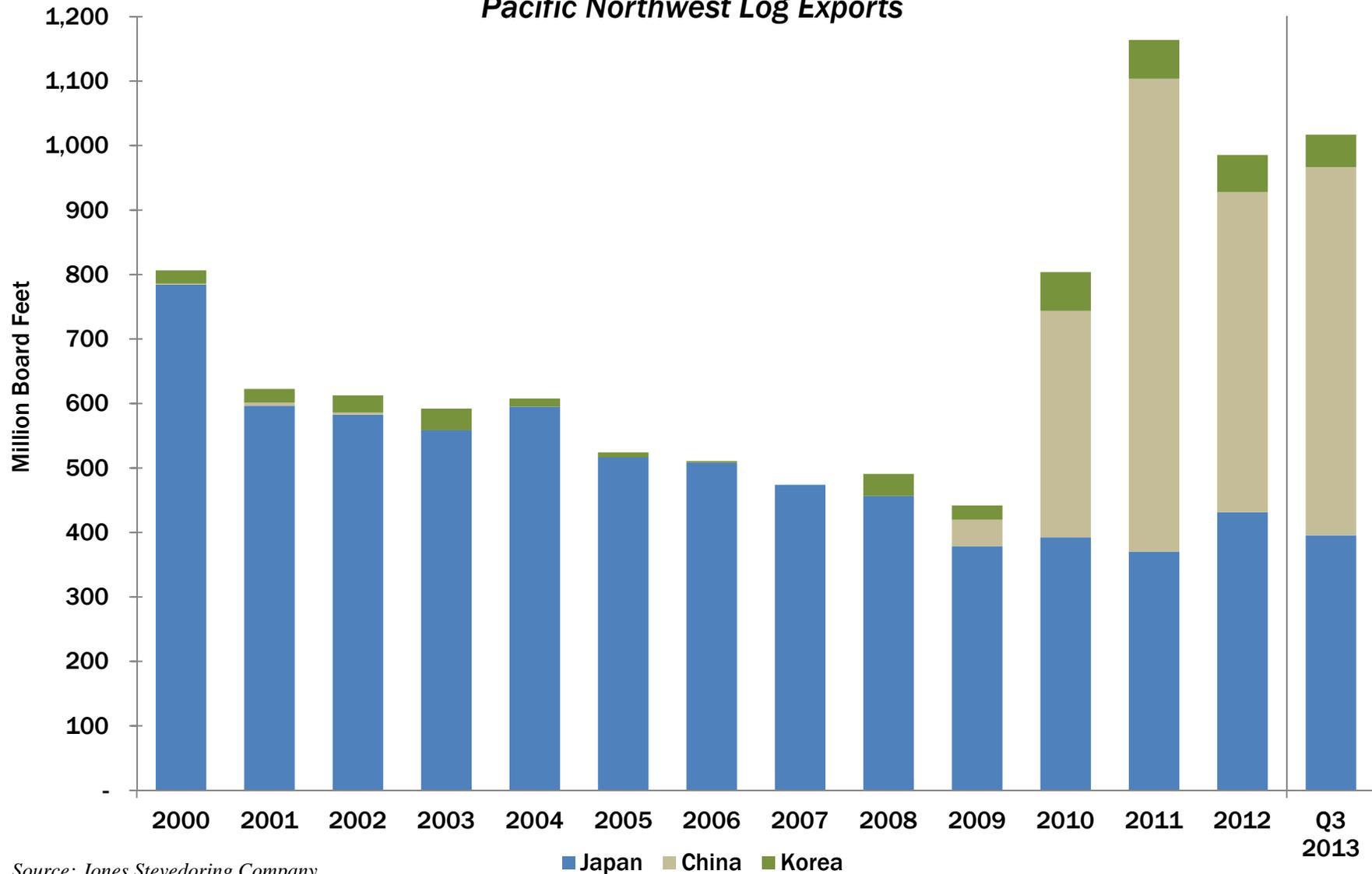
- Stronger domestic log demand with ≈ 1 M U.S. housing starts in 2013

Canadian supply impacted by Mountain Pine Beetle infestation

- Reduced supply from Canada with rising U.S. housing starts

China Driving Export Growth

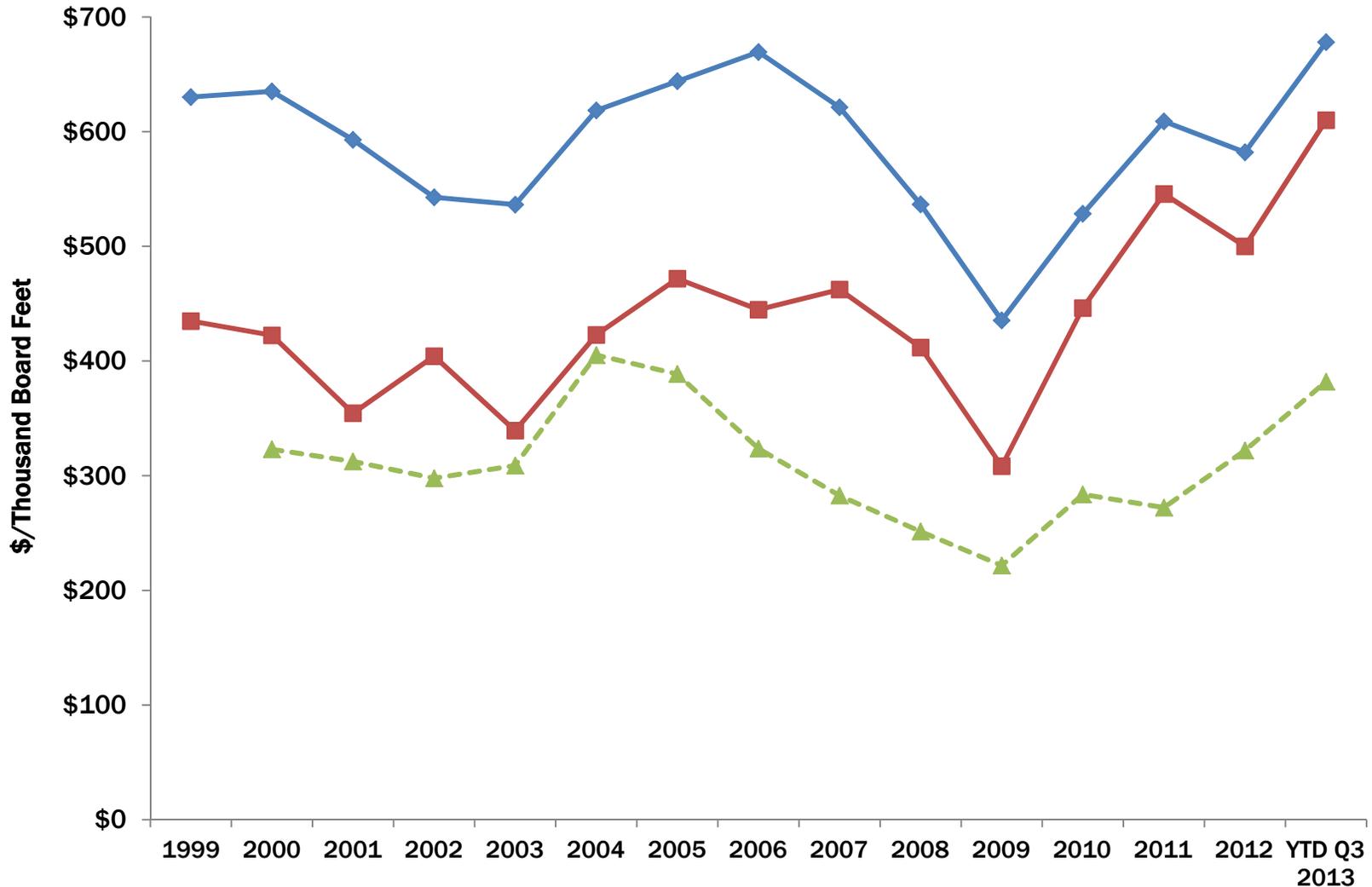
Pacific Northwest Log Exports



Source: Jones Stevedoring Company

■ Japan ■ China ■ Korea

Surging Export and Domestic Markets Fuel Strong Log Price Recovery



Source: Pope Resources,
Random Lengths

◆ Douglas-fir
 ■ Whitewoods
 ▲ RL Avg Framing Lumber Composite Price

Seattle Area Real Estate Development Expertise

Strategies

- Obtain development entitlements and then sell properties
- Opportunistically harvest value from historic land base

Differentiating Advantages

- Seattle Metro ranked **#1** for new jobs, **#2** for wage growth in September 2013¹
- Seattle ranked **#6** healthiest real estate market in October 2013²
- Abundant outdoor recreation and city commute create lifestyle appeal
- Regional demand for conservation sales

¹ <http://www.kplu.org/post/seattle-metro-area-ranks-1st-new-jobs-2nd-wage-growth>

² <http://trends.truliablog.com/2012/12/2013-top-10-healthiest-housing-markets/>

Real Estate Strategy

Strategy

- Entitle, permit and sell Real Estate properties
- Develop future pipeline of higher-and-better-use properties from Fee Timber portfolio

Key projects approved and awaiting sale

- Gig Harbor – 824 residential units
- Kingston – 751 residential units

Outlook

- Timing of sales will be “lumpy”
- Expect to realize meaningful “harvest” in 2013-2015



Gig Harbor Project

Commercial

- \$15M of sales in 2006 paid for infrastructure
- 19 acres remaining, including grocery store site

Business park

- Sales of \$5M in 2006 & 2007
- Elementary school sale of 14 acres in Q4 2013 for \$4.4M
- 11 acres remaining

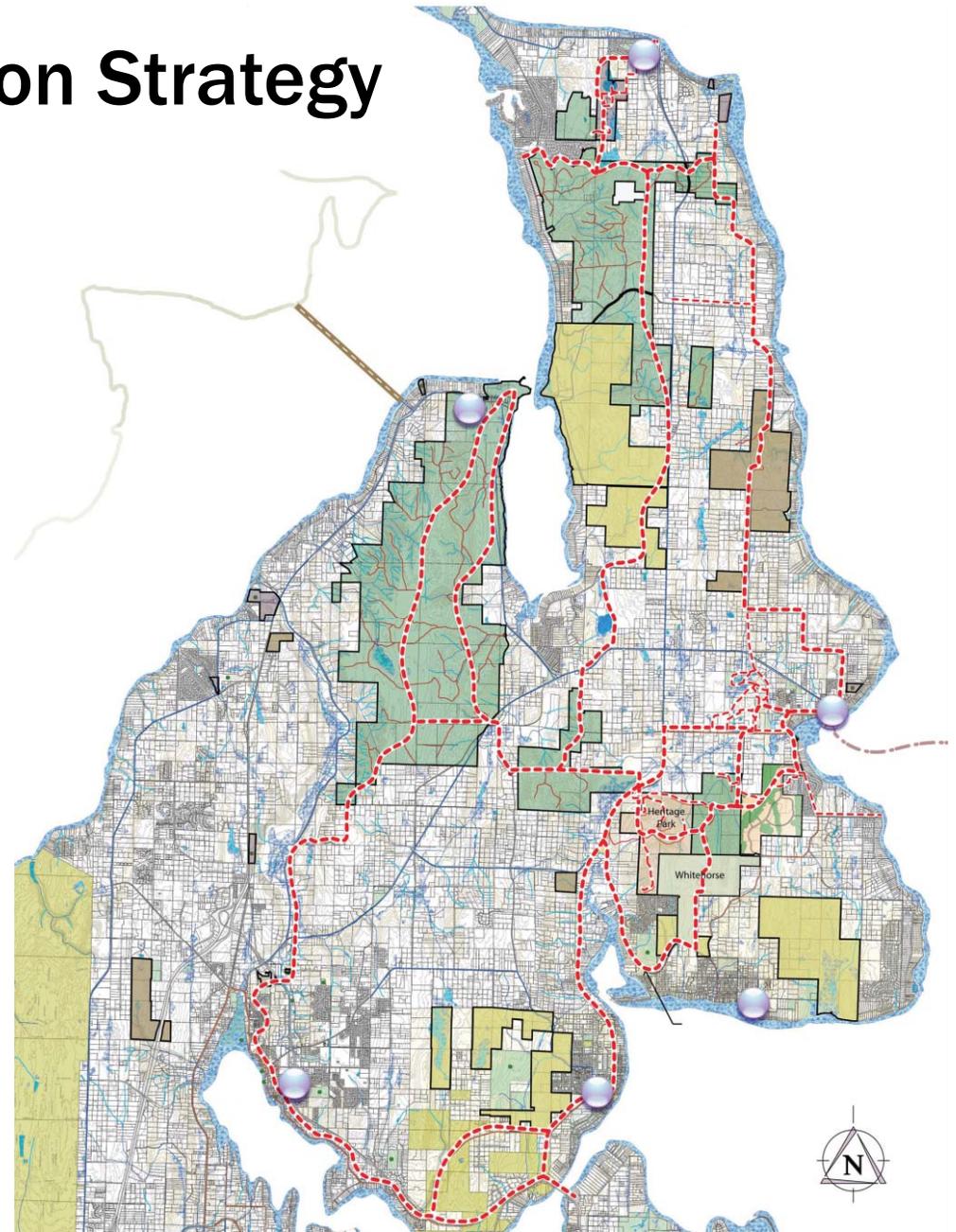
Residential

- Sold 11.5 acres for \$3.3M in 2012 (170 multi-family units)
- Remaining 100 multi-family units under contract
- 340 of 554 single-family lots under contract - first closings in late 2013/early 2014



North Kitsap Monetization Strategy

- Plan to sell 7,000 acres of timberland in north Kitsap
- Conservation group Forterra has option to acquire certain lands
- Expect first closing in Q4 2013
- Project enjoys broad political, tribal, and community support
- Master redevelopment plan for Port Gamble submitted in 2013



Capital Allocation Priorities and Growth Capital

Capital Allocation Priorities

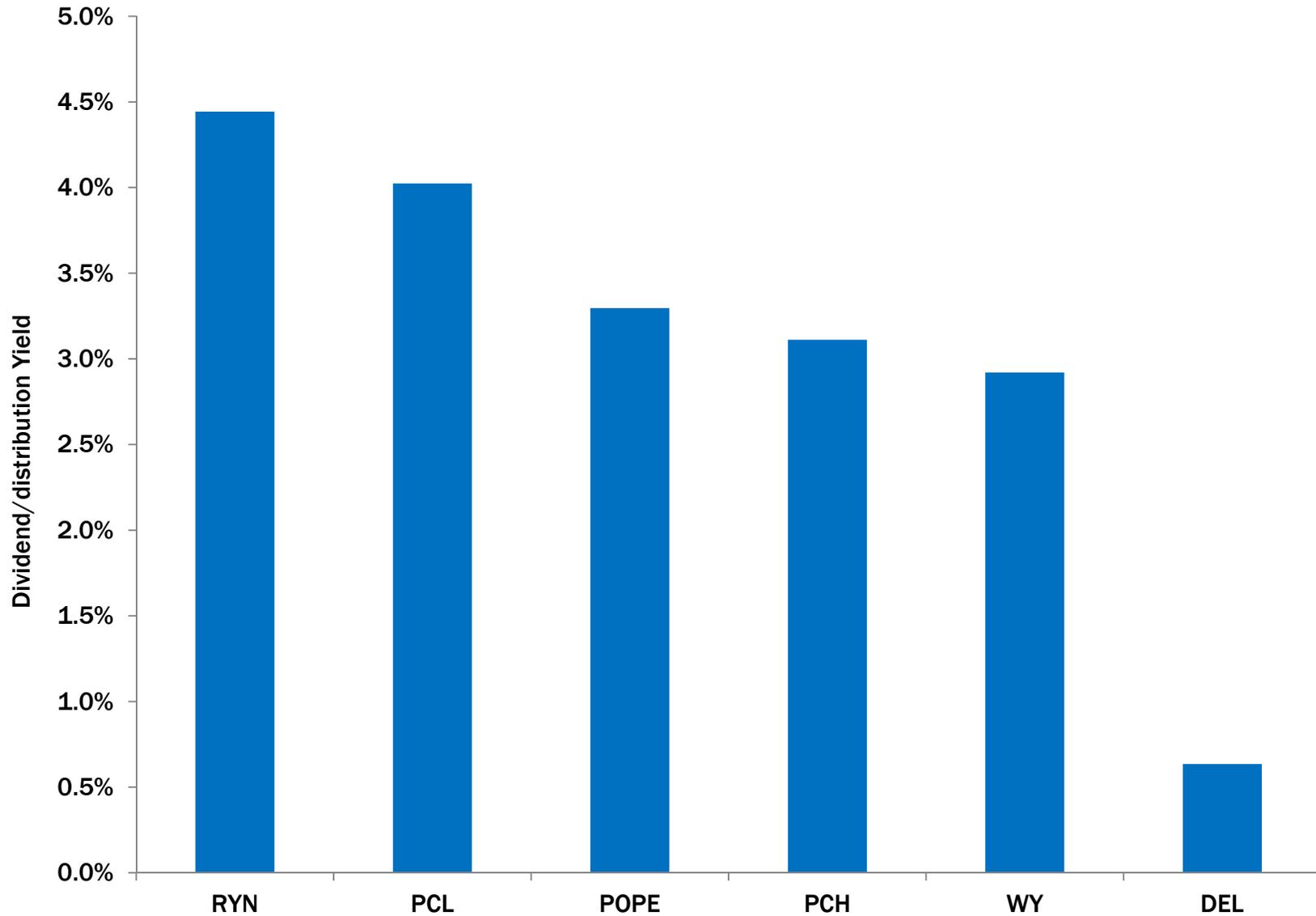
- Q3 2013 22% increase in quarterly distribution to current rate of \$0.55 per quarter
- Co-investment in private equity timber funds
- Real Estate project investment, where appropriate
- Opportunistically repurchasing units in open market

Sources of Growth Capital

- Organic cash flow generation from timber harvest and monetization of Real Estate portfolio
- \$20M untapped line of credit
- No current expectation for secondary or rights offering



Competitive Yield Relative to Timber Peers



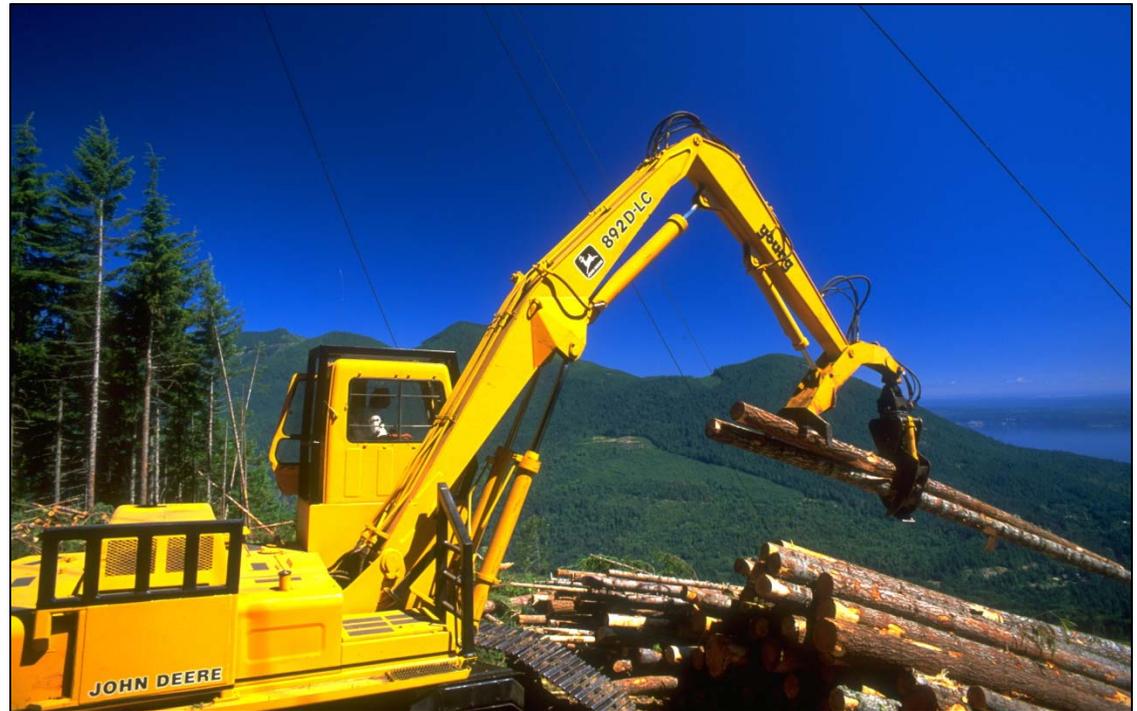
Investment Thesis for Pope Resources

- **Pure-play exposure to Pacific Northwest timberlands**
- **Private equity timber funds leverage expertise to provide growth vehicle and enhance scale**
- **Outstanding higher-and-better use real estate opportunities**
- **Highly tax-efficient vehicle for investing in timberland asset class**
- **Units trading at discount to underlying value**
- **Experienced, committed management team**

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Pope Resources Appendix



Pope Resources Balance Sheet (\$ millions)

	30-Sep-13	YE 2012
Assets		
POPE - Cash & cash equivalents	5.9	2.5
Funds - Cash & cash equivalents	1.1	1.3
Land held for sale	9.1	1.2
Other current assets	3.8	2.3
POPE - Properties and equipment, net of depletion/depreciation	52.1	55.2
Funds - Properties and equipment, net of depletion/depreciation	169.7	175.4
Land held for development	27.3	29.0
Other assets	0.5	0.6
Total assets	269.6	267.5
Liabilities & Equity		
Current liabilities (excl. current portion of long-term debt)	8.0	7.6
POPE - Total debt (current and long-term)	32.7	32.8
Funds - Total debt (current and long-term)	25.0	11.0
Other liabilities	13.2	13.4
Total liabilities	79.0	64.9
Capital	68.1	64.2
Noncontrolling interests	122.5	138.4
Total liabilities & partners' capital	269.6	267.5

Pope Resources Financial Metrics (2003-2013)

(All amounts in \$ millions, except per unit data, and as reported externally)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	YTD Q3 <u>2013</u>
Revenues:											
Fee Timber	22.9	33.5	44.4	35.3	35.5	23.6	14.9	27.7	52.7	45.5	43.8
Timberland Management & Consulting	2.4	1.6	7.8	3.7	1.4	0.9	0.6	0.0	-	0.0	0.0
Real Estate	1.7	4.5	4.8	27.3	15.0	3.7	5.0	3.5	4.5	8.5	7.8
Total Revenues	27.0	39.6	57.0	66.3	51.9	28.2	20.5	31.2	57.3	54.0	51.6
Net Income/(Loss) Attributable to Unitholders	3.5	10.2	13.7	24.9	15.5	1.2	(0.3)	2.0	8.8	(4.7)	9.5
Net Income/(Loss) per Unit	\$0.78	\$2.22	\$2.88	\$5.22	\$3.22	\$0.23	(\$0.07)	\$0.43	\$1.94	(\$1.11)	\$2.09
Adjusted EBITDDA ⁽¹⁾	10.3	19.1	29.2	40.6	24.1	7.6	2.8	7.6	23.6	7.8	21.1
Operating Cash Flow	8.0	16.5	24.0	33.1	12.1	4.0	0.7	9.0	21.7	16.2	13.3
Adjusted Cash Available for Distribution ⁽²⁾	4.6	12.6	20.3	29.9	8.1	(0.8)	(0.1)	7.6	12.9	11.7	7.4
Timberland Harvest (MMBF)	45.0	60.3	74.2	54.5	55.1	37.7	32.5	53.0	90.2	84.4	71.2
Unitholder Distributions per Unit	\$0.24	\$0.44	\$0.80	\$1.06	\$1.36	\$1.60	\$0.70	\$0.70	\$1.20	\$1.70	\$1.45
Unit Trading Prices:											
High	\$15.99	\$25.25	\$56.85	\$36.00	\$50.01	\$43.81	\$28.98	\$38.61	\$50.29	\$60.39	\$74.99
Low	\$7.00	\$15.00	\$19.35	\$30.00	\$34.25	\$15.00	\$15.61	\$23.32	\$35.02	\$41.19	\$56.15

(1) Adjusted EBITDDA defined as earnings before interest, taxes, depreciation, depletion, amortization and the non-cash cost basis of land sold.

(2) Adjusted Cash Available for Distribution = Cash flow from operations less maintenance capex (excludes timberland and building acquisitions and development capex already reflected in cash from op's) less required debt service plus financed debt extinguishment costs. Includes only Partnership's co-investment share of Timber Funds' cash from operations.

Reconciliation of Non-GAAP Measures (\$ millions)

	Adjusted EBITDDA										YTD Q3
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net income (loss)	3.5	10.2	14.0	24.8	15.1	0.1	(1.2)	0.8	8.9	(6.8)	9.2
Adjust for:											
Depreciation, depletion & amortization	3.5	5.8	11.3	7.0	5.5	4.7	2.8	5.8	12.6	11.3	9.2
Net interest expense (income)	2.8	3.0	2.5	0.6	(0.3)	0.2	1.0	1.1	1.7	1.5	1.1
Income tax expense (benefit)	0.2	0.0	1.0	0.4	(0.1)	(0.1)	0.0	(0.3)	0.2	0.4	(0.2)
Non-cash cost of land sold	0.2	0.2	0.4	7.7	3.9	2.6	0.1	0.1	0.1	1.5	1.8
Adjusted EBITDDA	10.3	19.1	29.2	40.6	24.1	7.6	2.8	7.6	23.6	7.8	21.1

	Adjusted Cash Available for Distribution (ACAD)										YTD Q3
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Cash provided (used) by operations	8.0	16.5	24.0	33.1	12.1	4.0	0.7	9.0	21.7	16.2	13.3
Adjust for:											
Noncontrolling interest in Timber Funds				0.1	(0.5)	(1.9)	0.5	(0.7)	(7.4)	(3.3)	(5.0)
Maintenance capital expenditures	(1.4)	(1.9)	(1.8)	(1.7)	(2.0)	(1.5)	(1.1)	(0.9)	(1.4)	(1.3)	(0.9)
Required principal payments	(2.0)	(2.0)	(1.9)	(1.7)	(1.5)	(1.3)	(1.4)	(1.0)	(0.0)	(0.0)	0.0
Financed debt extinguishment costs							1.1	1.3			
Adjusted Cash Available for Distribution	4.6	12.6	20.3	29.9	8.1	(0.8)	(0.1)	7.6	12.9	11.7	7.4
Distribution	1.1	2.0	3.7	5.0	6.4	7.4	3.2	3.2	5.3	7.5	7.5
Distribution as a % of positive ACAD	23%	16%	18%	17%	80%	N/A	N/A	43%	41%	64%	102%

Reconciliation of Non-GAAP Measures (\$ millions)

Adjusted EBITDDA by Segment

	2008	2009	2010	2011	2012	Q3 YTD 2013
Fee Timber						
Operating income - internal	\$5.9	\$2.9	\$8.4	\$14.9	\$10.1	\$11.4
Depletion	3.4	2.0	5.2	11.8	10.0	8.7
Depreciation and amortization	0.3	0.4	0.2	0.3	0.3	0.2
Cost of land sold	2.2		0.1			
Adjusted EBITDDA - Fee Timber	\$11.9	\$5.4	\$13.8	\$26.9	\$20.4	\$20.3
Timberland Management & Consulting						
Operating income (loss) - internal	\$0.1	\$0.4	\$0.1	\$0.4	\$0.1	\$0.2
Depreciation and amortization	0.1	0.0	\$0.0	\$0.0	\$0.0	\$0.0
Adjusted EBITDDA - TM&C	\$0.2	\$0.4	\$0.1	\$0.4	\$0.1	\$0.2
Real Estate						
Operating income (loss) - internal	(\$1.4)	\$1.7	(\$0.8)	(\$0.3)	(\$11.0)	\$2.0
Depletion	0.5			\$0.2		
Depreciation and amortization	0.2	0.2	\$0.2	\$0.3	\$0.9	\$0.2
Cost of land sold	0.4	0.1		\$0.1	\$1.5	\$1.8
Adjusted EBITDDA - Real Estate	(\$0.3)	\$2.0	(\$0.5)	\$0.2	(\$8.7)	\$4.1

Accounting for Timber Fund Business

- ORM earns timberland and asset management fees from the Funds
- POPE's "controlling" role as GP or managing member of the Funds triggers requirement to consolidate Funds into POPE financials
- Consolidation results in elimination of all fees paid by the Funds to POPE
- TM&C segment results included non-Fund, third-party management fees up until mid-2009

(in \$millions)

	2008	2009	2010	2011	2012	Q3 YTD 2013
Timber Fund acres under management at end of period (000's)	24	36	61	61	80	80
Management fees paid by Funds	0.9	0.9	1.5	2.4	2.2	2.1
Less: POPE's share of Fund management fees	(0.2)	(0.2)	(0.3)	(0.5)	(0.4)	(0.4)
Net management fee revenue	<u>0.7</u>	<u>0.7</u>	<u>1.2</u>	<u>1.9</u>	<u>1.8</u>	<u>1.7</u>
Externally reported TM&C segment operating income (loss)	(0.5)	(0.4)	(1.3)	(1.5)	(1.6)	(1.5)
Addback of eliminated management fees ⁽¹⁾	<u>0.7</u>	<u>0.7</u>	<u>1.3</u>	<u>1.9</u>	<u>1.7</u>	<u>1.7</u>
TM&C segment operating income (Internal reporting)	<u>0.1</u>	<u>0.4</u>	<u>0.1</u>	<u>0.4</u>	<u>0.1</u>	<u>0.2</u>
Impact of Funds on POPE cash flow						
Fees	0.9	0.9	1.5	2.4	2.2	2.1
Distributions ⁽²⁾	0.2	-	0.2	1.7	1.0	1.1
Total	<u>1.1</u>	<u>0.9</u>	<u>1.7</u>	<u>4.1</u>	<u>3.2</u>	<u>3.2</u>

(1) Eliminated for external reporting in consolidation

(2) Does not include POPE's \$2.7M share of fund debt proceeds

Look-through Balance Sheet: Breaking out Funds

(in \$millions)

	September 30, 2013			Compare to:	
	Partnership	Look-Thru Funds	Look-Thru Bal Sht	Consol Bal Sht	YE 2012
Assets					
Cash & cash equivalents	5.9	0.2	6.1	7.1	3.8
Land held for sale	9.1	-	9.1	9.1	1.2
Other current assets	2.7	0.2	2.9	3.8	2.3
Timber & roads, net	31.8	23.1	54.9	175.2	183.3
Timberlands	14.4	4.1	18.5	40.7	41.2
Land held for development	27.3	-	27.3	27.3	29.0
Buildings & equipment, net	5.9	-	5.9	5.9	6.2
Other assets	0.4	0.0	0.4	0.5	0.6
Total assets	97.5	27.6	125.2	269.6	267.5
Liabilities & Equity					
Current liabilities (excl. current portion of long-term debt)	6.3	0.3	6.6	8.0	7.6
Total debt (current and long-term)	32.7	5.0	37.7	57.7	43.8
Other liabilities	13.2	-	13.2	13.2	13.4
Total liabilities	52.3	5.3	57.6	79.0	64.9
Partners' capital	45.3	22.3	67.6	68.1	64.2
Noncontrolling interests	-	-	-	122.5	138.4
Total liabilities & partners' capital	97.5	27.6	125.2	269.6	267.5

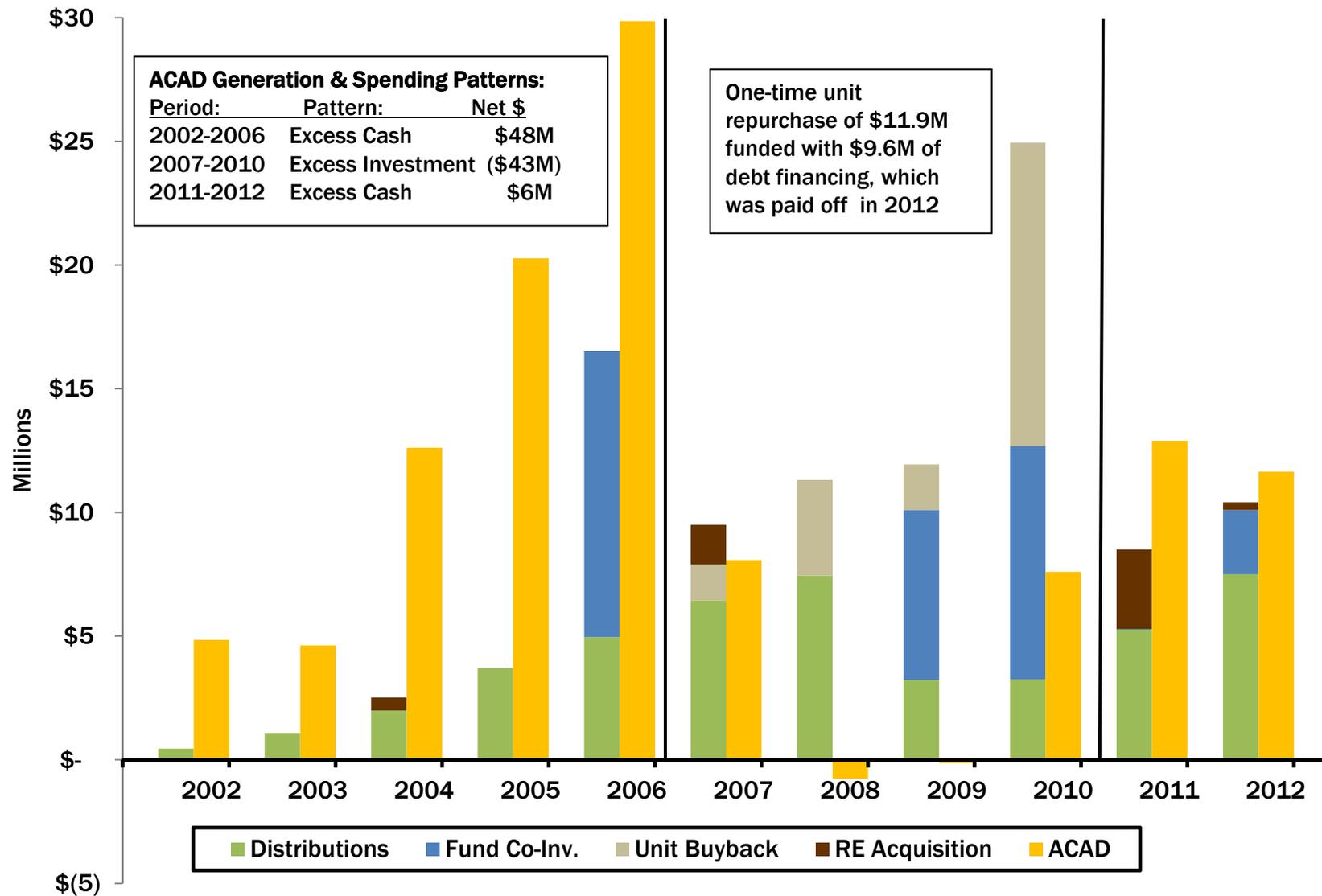
Look-through EBITDDA: Breaking out Funds

(in \$millions)

	2012				
	Partnership	Funds	Combined As Reported	Reverse: Funds' Non-Controlling	Look-Thru Inc Stmt
Net income	(4.2)	(2.6)	(6.8)	2.1	(4.7)
Adjustments to calculate EBITDDA:					
Depletion	3.1	6.9	10.0	(5.5)	4.5
Depreciation/amortization	1.3	0.0	1.3	(0.0)	1.3
Net interest expense	0.9	0.5	1.5	(0.4)	1.0
Income tax expense (benefit)	0.3	0.1	0.4	(0.1)	0.3
Cost basis of land and timber sold	1.5	-	1.5	-	1.5
Adjusted EBITDDA	2.8	5.0	7.8	(4.0)	3.8

	YTD Q3 2013				
	Partnership	Funds	Combined As Reported	Reverse: Funds' Non-Controlling	Look-Thru Inc Stmt
Net income	(2.1)	(4.7)	(6.8)	3.8	(3.0)
Adjustments to calculate EBITDDA:					
Depletion	3.1	6.9	10.0	(5.5)	4.5
Depreciation/amortization	1.3	0.0	1.3	(0.0)	1.3
Net interest expense	(1.2)	2.6	1.5	(2.1)	(0.6)
Income tax expense (benefit)	0.3	0.1	0.4	(0.1)	0.3
Cost basis of land and timber sold	1.5	-	1.5	-	1.5
Adjusted EBITDDA	2.8	5.0	7.8	(4.0)	3.8

Capital Allocation: Balancing Liquidity & Growth



Implied Timberland Value Well Below Market Level

