



# **Investor Presentation**

## **March 2015**

# Safe Harbor

This presentation contains forward-looking statements that reflect management's plans, intentions and expectations about the Partnership's future business, operations and prospects based on information currently known to our executives. 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. 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. Forward-looking statements involve inherent risks and uncertainties. A number of 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; our ability to identify and accurately estimate environmental and other liabilities associated with our operations and assets; risk of loss from insect infestations or tree diseases; changes in economic conditions and competition in our domestic and export markets; and an unanticipated reduction in the demand for timber products and/or an unanticipated increase in the supply of timber products. Our Annual Report on Form 10-K for the period ended December 31, 2014 contains a list of the known risk factors as they existed on the filing date for that report. Other factors will be disclosed from time to time in our filings with the Securities and Exchange Commission. Forward-looking statements are not guarantees of performance or assurances of expected courses of action, 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
- 4.3 MM units outstanding
- Market capitalization: \$272 MM as of February 28, 2015
- 2014 revenue: \$87.5 MM
- 2014 cash from operations: \$30.8 MM
- 2014 net income: \$12.4 MM, \$2.82 per unit
- Forward annual distribution rate: \$2.60
- Tax-efficient partnership structure

# Pacific Northwest Timber Pure-Play with Real Estate Upside

**191,000 acres in western WA, northwestern OR, and northern CA**

- **111,000 acres owned by partnership and 80,000 acres owned by funds**
- **Contributed 79% of total revenue over past 3 years**

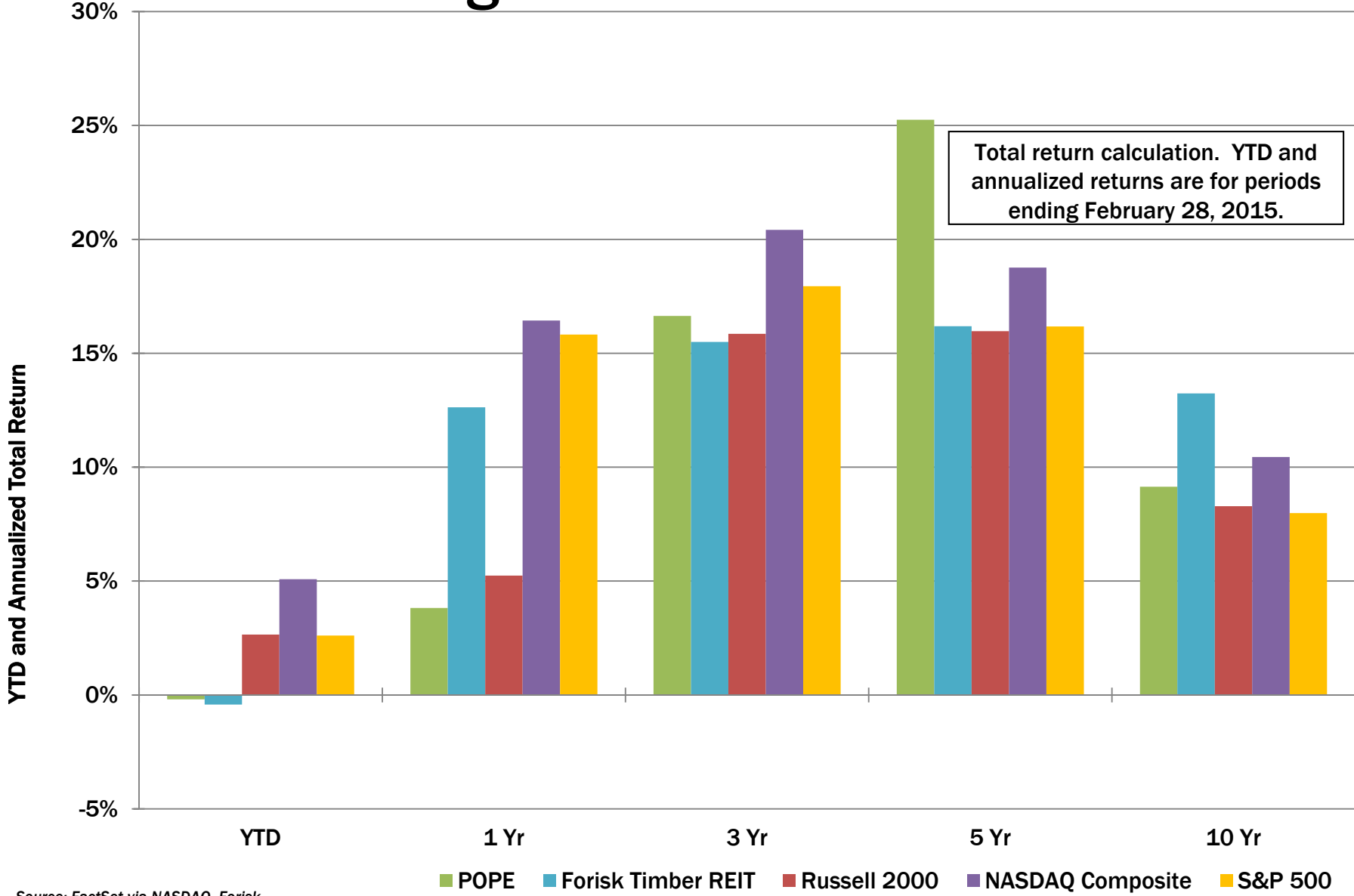
**Timber expertise leveraged with private equity timber fund business**

- **Assets under management of \$312 MM generate over \$3 MM of fees/year**
- **\$51 MM committed capital for investment in new timberland properties**

**Seattle area real estate development**

- **2,600-acre portfolio of properties in west Puget Sound**
- **Book value of \$36 MM including 1,300+ 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
- Employ value-adding silvicultural practices to maximize net present value at harvest
- Enhance returns by adjusting harvest timing to seasonal log price variations
- Leverage timber expertise through management of timber funds to drive future growth and economies of scale
- Opportunistically acquire small tracts to replace land that has been sold as development property

## Differentiating advantages

- 90% of lands tributary to 6 export log ports serving Asian markets
- Log sort mix heavy to Douglas-fir commands price premium
- Partnership structure enables tax-efficient timberland investment

# Log Market Dynamics

## Domestic market continues measured improvement

- Stronger domestic log demand with U.S. housing starts >1 MM in 2014, improvement in job market

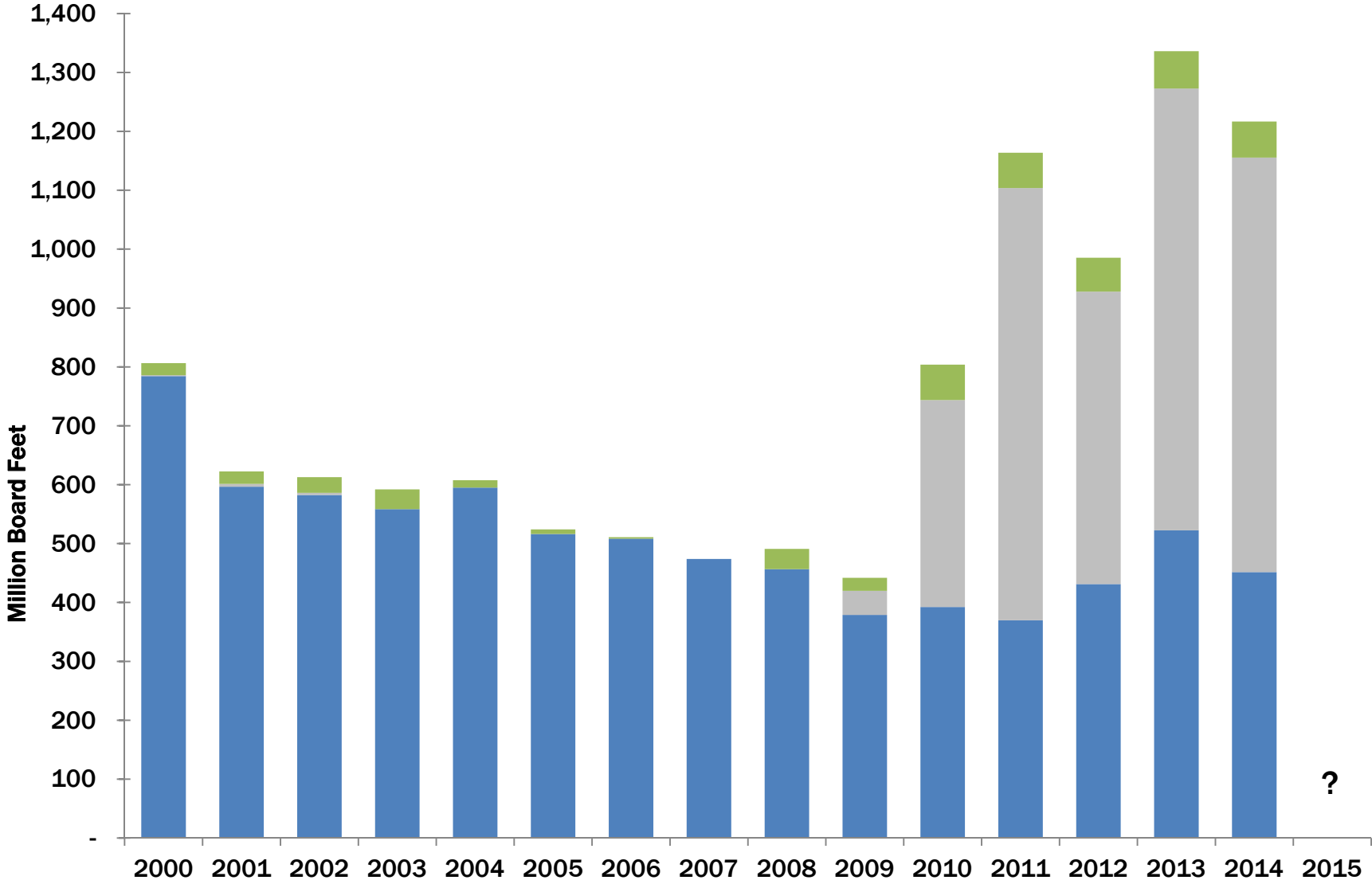
## Export market has cooled, but remains important source of demand

- 5 consecutive years of significant log demand from China
- Stable market in Japan for high-quality Douglas-fir
- Exports grew from 15% of POPE's 2009 harvest to 33% in 2014

## Canadian supply impacted by Mountain Pine Beetle infestation

- Reduced lumber imports from Canada with rising U.S. housing starts

# China Has Driven Export Growth

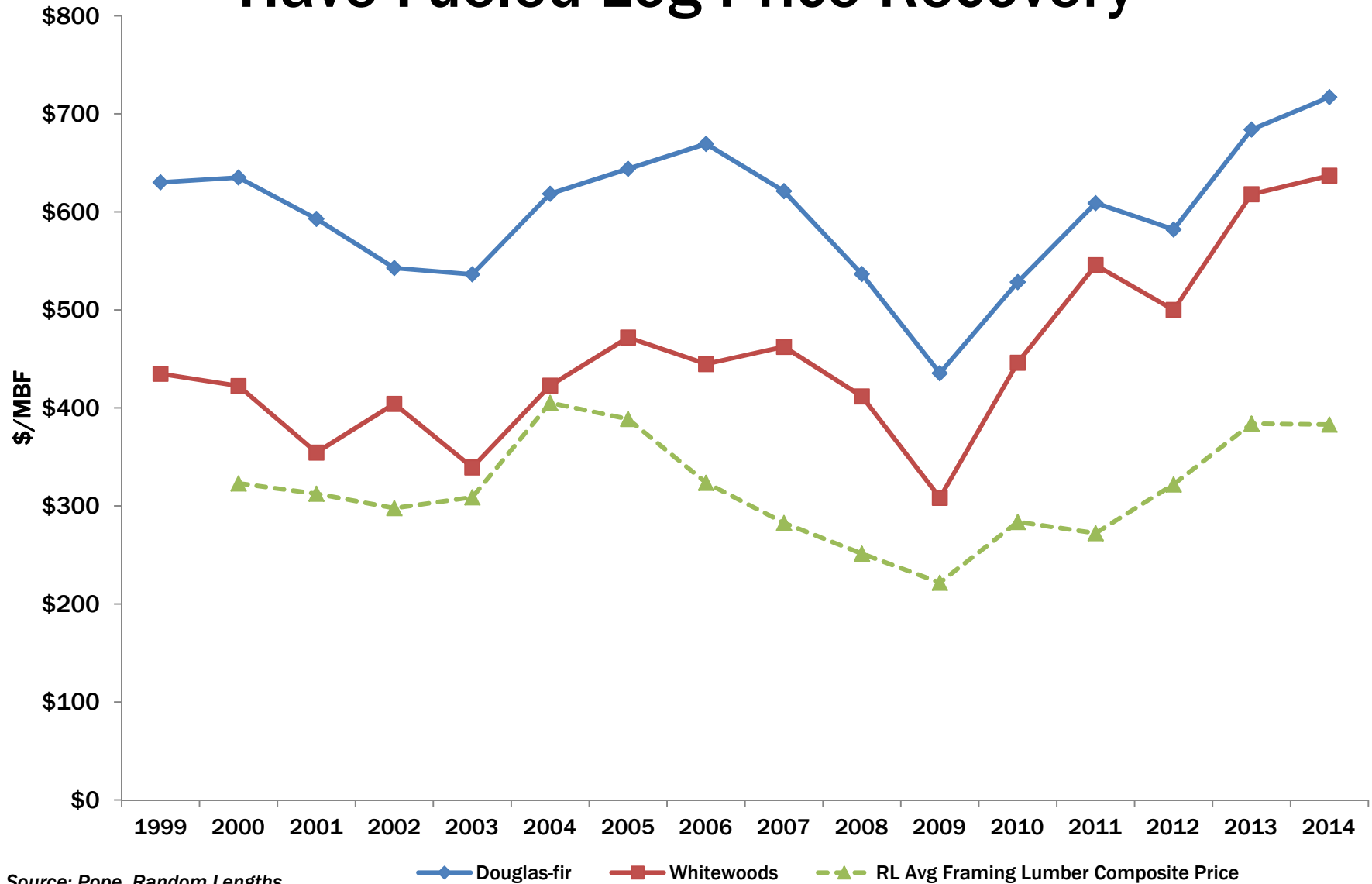


Source: Jones Stevedoring Company

■ Japan ■ China ■ Korea



# Domestic and Export Markets Have Fueled Log Price Recovery



Source: Pope, Random Lengths

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

# Private Equity Timber Fund Business

## Fund I

- Winding up after selling 24,000-acre portfolio in Q3 and Q4 2014

## Fund II

- Portfolio consists of four tree farms in OR and WA totaling 37,000 acres
- Pope is 20% co-investor

## Fund III

- Portfolio consists of three tree farms in WA, OR, and CA totaling 43,000 acres
- \$51 million of remaining committed capital to invest in PNW timberlands
- Pope is 5% co-investor

## Fund IV

- In early planning process
- Will launch after all of Fund III capital is placed
- Targeting \$200 million of committed capital
- Pope will be 15% co-investor

# Private Equity Timber Fund Business

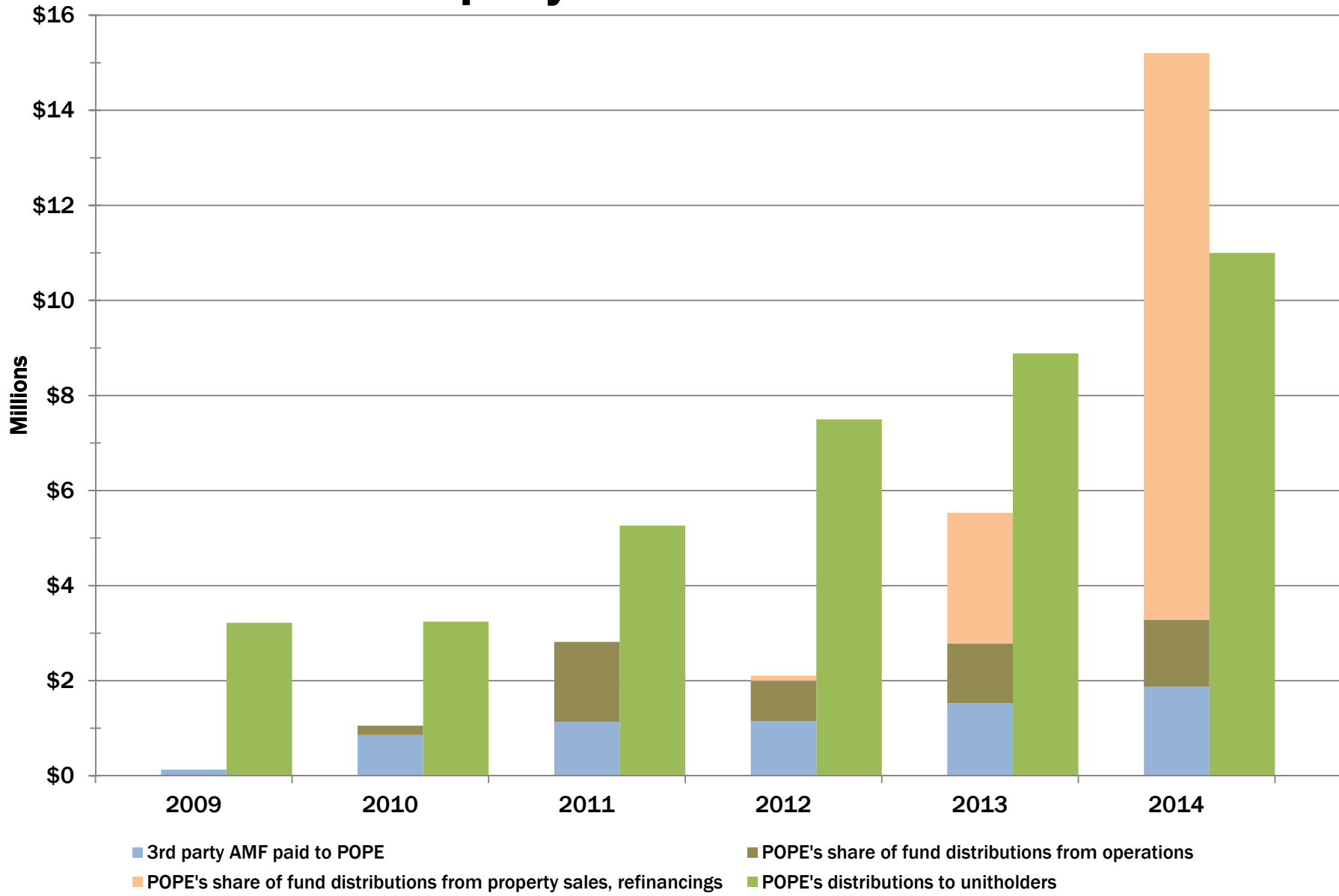
## Economies of scale

- Co-investment by POPE in the funds enhances diversification of the Partnership's timberland holdings across the Pacific Northwest
- Increased acres and harvest volume provide additional scale in log markets
- Active participation in timberland markets throughout the business cycle improves management understanding of timberland values
- Enables the Partnership to attract better talent to the management team

## Source of cash flow

- Fund II & III current portfolios generate \$2 million of annual asset management fee revenue from non-POPE investors
- These fees, combined with distributions from co-investments in funds, represent a meaningful source of POPE's distributable cash

# Private Equity Timber Fund Business



# Seattle Area Real Estate Development Expertise

## Strategies

- Entitle and develop currently-owned land for sale to end users such as residential or commercial builders
- Acquire, entitle, and/or develop third-party properties
- Evaluate joint venture investment opportunities

## Differentiating Advantages

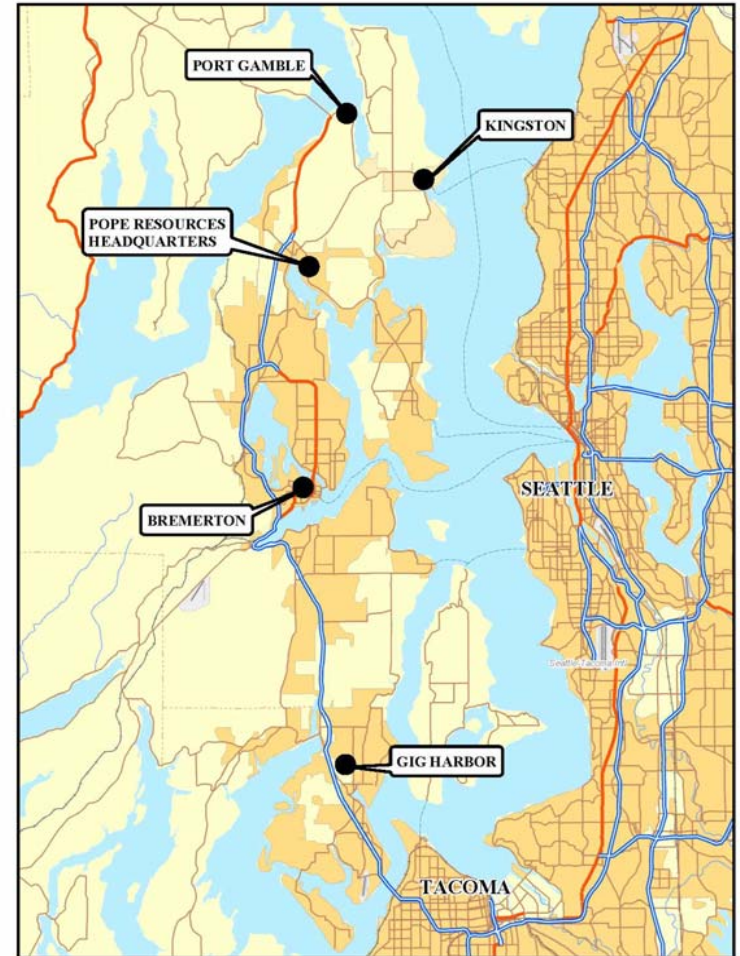
- Seattle Metro consistently near the top for new jobs, wage growth, and real estate investment
- Pope Resources is the largest, best capitalized real estate developer in its submarket (West Puget Sound)
- Political and community organizing skills create unique opportunities to generate value through entitlements
- Suburban real estate expertise applied to conservation sales is unique among timberland management companies

# Key West Puget Sound Projects

- Gig Harbor – Over 720 single and multi-family residential units, 18-acre retail village, and 11-acre business park
- Bremerton – Initial planning for approximately 93 residential units
- Kingston – 750 residential units; possible 165-unit first phase
- Port Gamble – Completing initial environmental review for 200 homes, hotel, and commercial uses

## Overall Outlook

- Timing of sales will be “lumpy”
- Expect to realize meaningful “harvest”, primarily from Gig Harbor during 2015 and into 2016-17



# Gig Harbor Project

## Residential

- Sold 11.5 acres for \$3.3 MM in 2012 (170 multi-family units)
- Remaining 294 multifamily units under contract
- 133 of 554 single-family lots sold in 2014 – 75 more under contract to close w/in 6 months

## Commercial

- 18-acre village site including grocery store

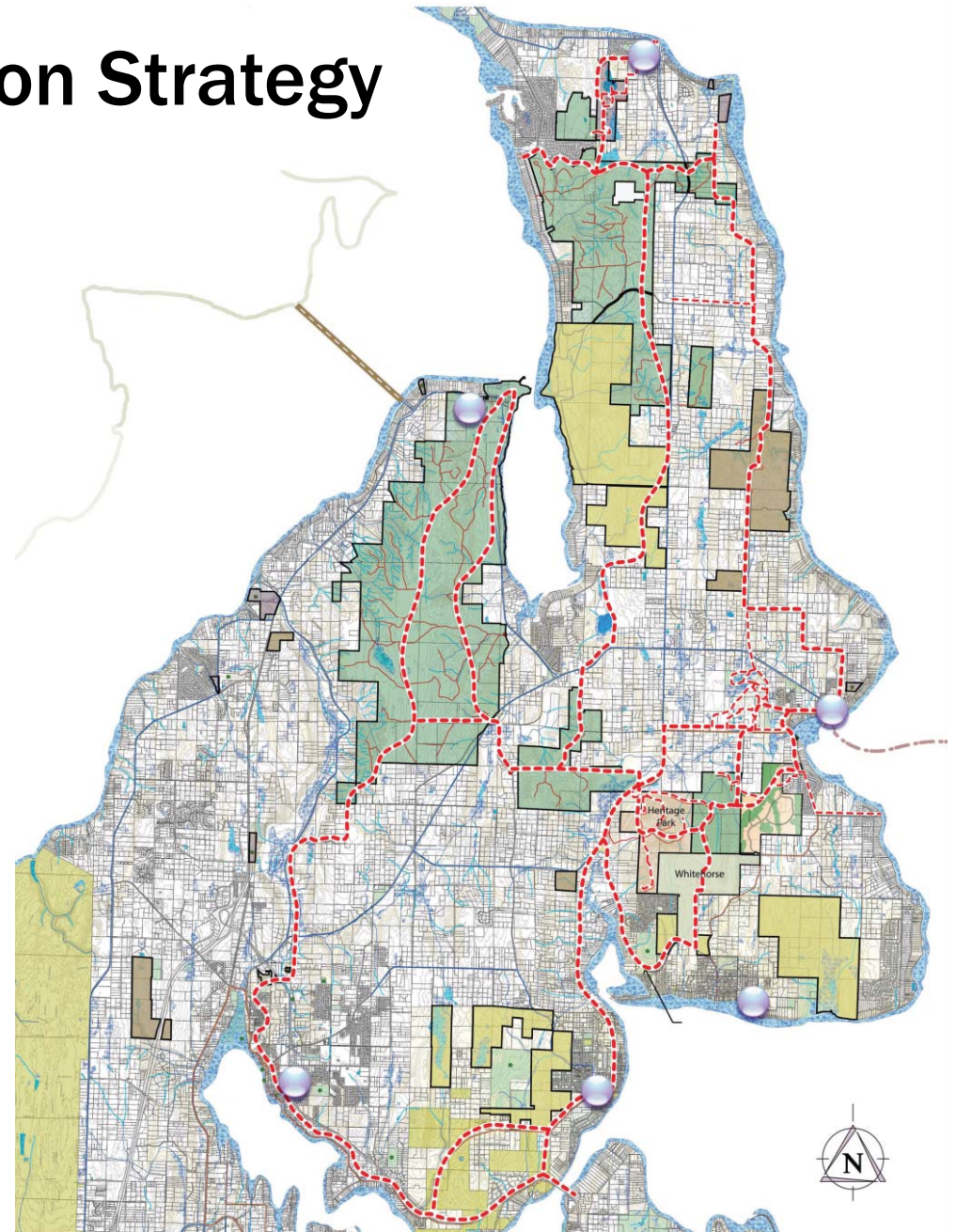
## Business park

- Elementary school sale of 14 acres in Q4 2013 for \$4.4 MM
- 11 acres remaining



# North Kitsap Monetization Strategy

- Plan set in 2011 to sell 6,700 acres of timberland in Kitsap County for conservation and public access
- First two closings for \$6.6 MM (901 acres) in 2014
- Project enjoys broad political, tribal, and community support
- Conservation group Forterra has option to acquire certain lands
- Master redevelopment plan for Port Gamble submitted in 2013 with approval anticipated in 2016





# Port Gamble Bay Environmental Remediation

Q4 2014 \$10.0 MM increase to liability – major components:

- Demolition & disposal - \$1.3 MM (increase in piling removal from 5,400 to 5,700; per unit cost increase)
- Dredging & disposal - \$2.4 MM (increase in volume from 41,000 cubic yards to 64,000 cubic yards)
- Capping & cover - \$2.2 MM (increase in volume from 125,000 tons to 218,000 tons)
- Eelgrass mitigation - \$0.6 MM (new issue)
- Archaeological & shellfish monitoring - \$0.3 MM (new issue)
- Mobilization & setup - \$0.8 MM (function of construction costs)
- Other non-construction costs \$2.4 MM (design, permitting, taxes, contingency)

Liability now stands at \$21.6 MM

- \$3.7 MM cash to be spent during 2015

# Capital Allocation Priorities and Growth Capital

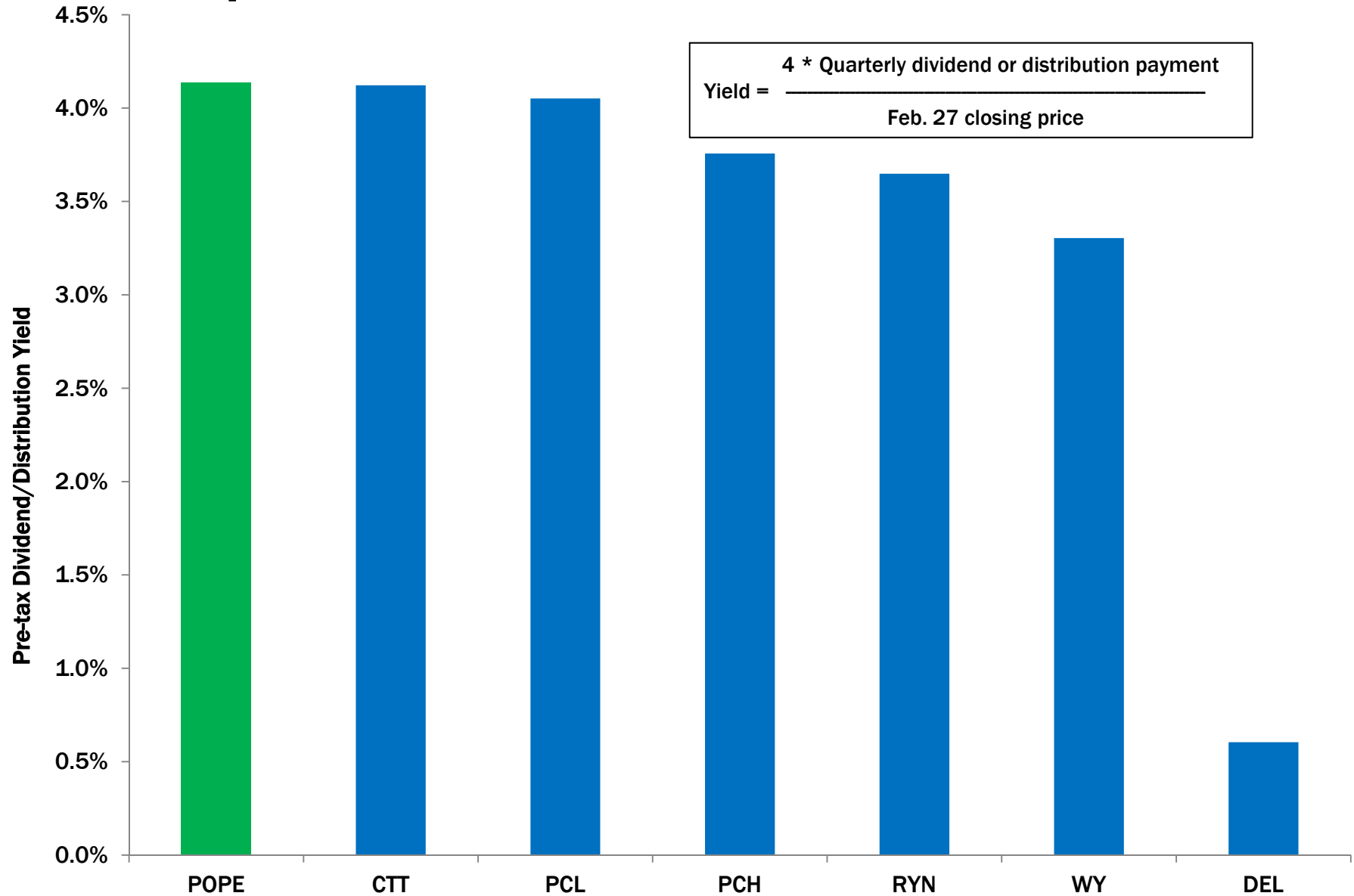
## Capital Allocation Priorities

- Q2 2014 18% increase in quarterly distribution to current rate of \$0.65 per quarter
- Co-investment in private equity timber funds
- Small tract timberland acquisitions
- Real Estate project investment
- Opportunistically repurchasing units in open market

## Sources of Growth Capital

- Organic cash flow generation from timber harvest, monetization of Real Estate portfolio, and private equity timber fund management fees
- \$20 MM untapped line of credit

# Competitive Yield Relative to Timber Peers

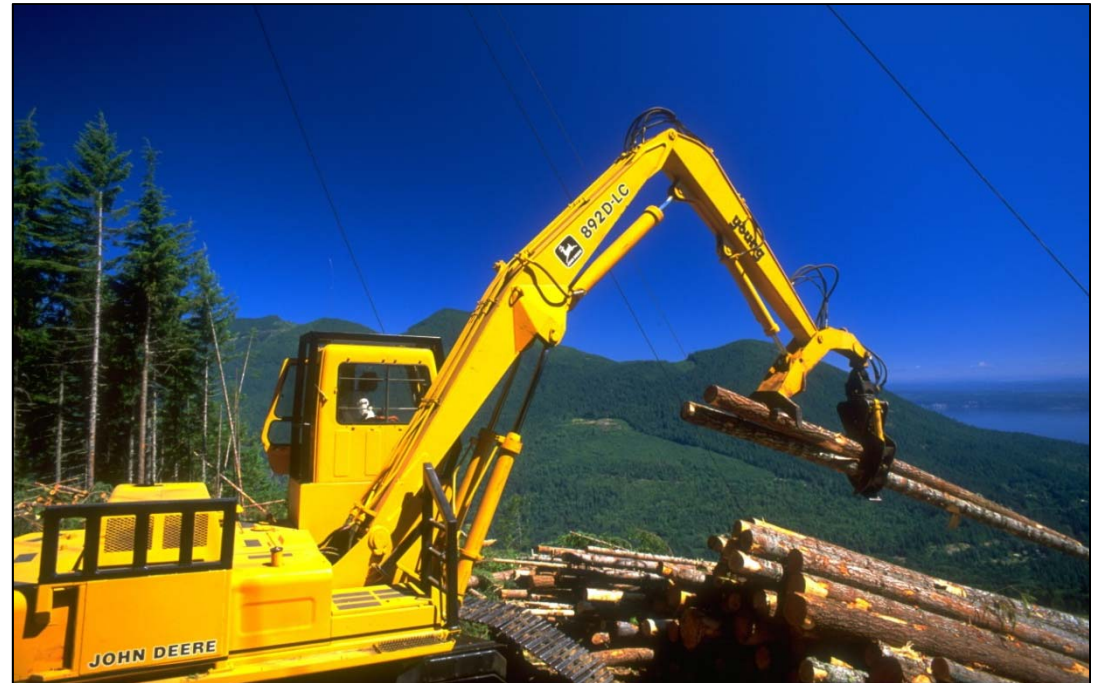


# Investment Thesis for Pope Resources

- **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**

# Contact Information

Tom Ringo  
President & CEO  
(360) 394-0520  
[tringo@orminc.com](mailto:tringo@orminc.com)



# Appendix

# Pope Resources Balance Sheet (\$ millions)

(In \$millions)

	YE 2014	YE 2013
<b>Assets</b>		
POPE - Cash & cash equivalents	14.5	5.7
Funds - Cash & cash equivalents	9.5	1.3
Short-term investments	1.0	-
Other current assets	12.5	13.4
POPE - Properties and equipment, net of depletion/depreciation	77.0	78.3
Funds - Properties and equipment, net of depletion/depreciation	230.1	211.9
Other assets	0.4	0.4
<b>Total assets</b>	<b>345.0</b>	<b>311.0</b>
<b>Liabilities &amp; Equity</b>		
Current liabilities (excl. current portion of long-term debt)	9.0	8.0
POPE - Total debt (current and long-term)	32.6	32.7
Funds - Total debt (current and long-term)	57.4	43.0
Other liabilities	18.4	12.7
<b>Total liabilities</b>	<b>117.4</b>	<b>96.4</b>
<b>Capital</b>	<b>64.1</b>	<b>69.4</b>
<b>Noncontrolling interests</b>	<b>163.5</b>	<b>145.2</b>
<b>Total liabilities &amp; partners' capital</b>	<b>345.0</b>	<b>311.0</b>

# Pope Resources Financial Metrics (2014-2004)

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>											
Fee Timber	65.2	56.0	45.5	52.7	27.7	14.9	23.6	35.5	35.3	44.4	33.5
Timberland Management	-	-	-	-	-	0.6	0.9	1.4	3.7	7.8	1.6
Real Estate	22.3	14.7	8.5	4.5	3.5	5.0	3.7	15.0	27.3	4.8	4.5
<b>Total Revenues</b>	<b>87.5</b>	<b>70.7</b>	<b>54.0</b>	<b>57.3</b>	<b>31.2</b>	<b>20.5</b>	<b>28.2</b>	<b>51.9</b>	<b>66.3</b>	<b>57.0</b>	<b>39.6</b>
<b>Net Income/(Loss) Attributable to Unitholders</b>	<b>12.4</b>	<b>13.1</b>	<b>(4.7)</b>	<b>8.8</b>	<b>2.0</b>	<b>(0.3)</b>	<b>1.2</b>	<b>15.5</b>	<b>24.9</b>	<b>13.7</b>	<b>10.2</b>
<b>Net Income/(Loss) per Unit</b>	<b>\$2.82</b>	<b>\$2.96</b>	<b>(\$1.11)</b>	<b>\$1.94</b>	<b>\$0.43</b>	<b>(\$0.07)</b>	<b>\$0.23</b>	<b>\$3.22</b>	<b>\$5.22</b>	<b>\$2.88</b>	<b>\$2.22</b>
<b>Adjusted EBITDDA <sup>(1)</sup></b>	<b>57.5</b>	<b>29.8</b>	<b>7.8</b>	<b>23.6</b>	<b>7.6</b>	<b>2.8</b>	<b>7.6</b>	<b>24.1</b>	<b>40.6</b>	<b>29.2</b>	<b>19.1</b>
<b>Operating Cash Flow</b>	<b>30.8</b>	<b>17.9</b>	<b>16.2</b>	<b>21.7</b>	<b>9.0</b>	<b>0.7</b>	<b>4.0</b>	<b>12.1</b>	<b>33.1</b>	<b>24.0</b>	<b>16.5</b>
<b>Adjusted Cash Available for Distribution <sup>(2)</sup></b>	<b>20.7</b>	<b>10.7</b>	<b>11.6</b>	<b>12.9</b>	<b>7.7</b>	<b>(0.2)</b>	<b>(0.8)</b>	<b>8.1</b>	<b>29.9</b>	<b>20.3</b>	<b>12.6</b>
<b>Timber Harvest (MMBF)</b>	<b>97</b>	<b>89</b>	<b>84</b>	<b>90</b>	<b>53</b>	<b>33</b>	<b>38</b>	<b>55</b>	<b>55</b>	<b>74</b>	<b>60</b>
<b>Unitholder Distributions per Unit</b>	<b>\$2.50</b>	<b>\$2.00</b>	<b>\$1.70</b>	<b>\$1.20</b>	<b>\$0.70</b>	<b>\$0.70</b>	<b>\$1.60</b>	<b>\$1.36</b>	<b>\$1.06</b>	<b>\$0.80</b>	<b>\$0.44</b>
<b>Unit Trading Prices:</b>											
High	\$71.00	\$74.99	\$60.39	\$50.29	\$38.61	\$28.98	\$43.81	\$50.01	\$36.00	\$56.85	\$25.25
Low	\$62.35	\$56.15	\$41.19	\$35.02	\$23.32	\$15.61	\$15.00	\$34.25	\$30.00	\$19.35	\$15.00

(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 POPE's co-investment share of Timber Funds' cash from operations.



# Reconciliation of Non-GAAP Measures (\$ millions)

(All amounts in \$ millions)

## Adjusted EBITDDA

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net income (loss)	31.9	11.7	(6.8)	8.9	0.8	(1.2)	0.1	15.1	24.8	14.0	10.2
Adjust for:											
Depreciation, depletion & amortization	12.9	11.9	11.2	12.7	5.9	2.9	4.8	5.5	7.1	11.3	5.7
Net interest expense (income)	2.6	1.5	1.5	1.7	1.1	1.0	0.2	(0.3)	0.6	2.5	3.0
Income tax expense (benefit)	0.9	(0.3)	0.4	0.2	(0.3)	-	(0.1)	(0.1)	0.4	1.0	0.0
Non-cash cost of land sold	9.2	5.0	1.5	0.1	0.1	0.1	2.6	3.9	7.7	0.4	0.2
Adjusted EBITDDA	57.5	29.8	7.8	23.6	7.6	2.8	7.6	24.1	40.6	29.2	19.1

(All amounts in \$ millions)

## Adjusted Cash Available for Distribution (ACAD)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash provided by (used in) operations	30.8	17.9	16.2	21.7	9.0	0.7	4.0	12.1	33.1	24.0	16.5
Adjust for:											
Noncontrolling interest in Timber Funds	(8.8)	(5.7)	(3.3)	(7.4)	(0.7)	0.5	(1.9)	(0.5)	0.1		
Maintenance capital expenditures	(1.2)	(1.4)	(1.3)	(1.4)	(0.9)	(1.1)	(1.5)	(2.0)	(1.7)	(1.8)	(1.9)
Required principal payments	(0.1)	(0.1)			(1.0)	(1.4)	(1.3)	(1.5)	(1.7)	(1.9)	(2.0)
Financed debt extinguishment costs					1.3	1.1					
Adjusted Cash Available for Distribution	20.7	10.7	11.6	12.9	7.7	(0.2)	(0.8)	8.1	29.9	20.3	12.6
Distribution	11.0	8.9	7.5	5.3	3.2	3.2	7.4	6.4	5.0	3.7	2.0
Distribution as a % of positive ACAD	53%	83%	65%	41%	42%	N/A	N/A	80%	17%	18%	16%

# Reconciliation of Non-GAAP Measures (\$ millions)

## Adjusted EBITDDA by Segment

	2014	2013	2012	2011	2010	2009	2008	2007
<b>Fee Timber</b>								
Operating income - internal	\$41.6	\$13.9	\$10.1	\$14.9	\$8.4	\$2.9	\$6.0	\$14.5
Depletion	12.2	10.8	10.0	11.8	5.1	2.1	3.4	4.8
Depreciation and amortization	0.3	0.3	0.3	0.3	0.2	0.4	0.3	0.3
Cost of land sold					0.1		2.2	
<b>Adjusted EBITDDA - Fee Timber</b>	<b>\$54.1</b>	<b>\$25.0</b>	<b>\$20.4</b>	<b>\$27.0</b>	<b>\$13.8</b>	<b>\$5.4</b>	<b>\$11.9</b>	<b>\$19.6</b>
<b>Timberland Management</b>								
Operating income (loss) - internal	\$0.4	\$0.3	\$0.2	\$0.4	\$0.1	\$0.4	\$0.2	(\$0.2)
Depreciation and amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
<b>Adjusted EBITDDA - TM</b>	<b>\$0.4</b>	<b>\$0.3</b>	<b>\$0.2</b>	<b>\$0.4</b>	<b>\$0.1</b>	<b>\$0.4</b>	<b>\$0.3</b>	<b>(\$0.1)</b>
<b>Real Estate</b>								
Operating income (loss) - internal	(\$2.6)	\$3.4	(\$11.0)	(\$0.3)	(\$0.7)	\$1.7	(\$1.4)	\$5.2
Depletion		0.5		0.1			0.5	0.0
Depreciation and amortization	0.3	0.3	0.8	0.3	0.2	0.2	0.2	0.2
Cost of land sold	9.2	5.0	1.5	0.1		0.1	0.4	3.9
<b>Adjusted EBITDDA - Real Estate</b>	<b>\$6.9</b>	<b>\$9.2</b>	<b>(\$8.7)</b>	<b>\$0.2</b>	<b>(\$0.5)</b>	<b>\$2.0</b>	<b>(\$0.3)</b>	<b>\$9.3</b>

# 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 segment results included non-Fund, third-party management fees up until mid-2009

(In \$millions)

	2014	2013	2012	2011	2010	2009
Timber Fund acres under management at end of period (000's)	80	91	80	61	61	36
Management fees paid by Funds	3.3	2.8	2.2	2.4	1.5	0.9
Less: POPE's share of Fund management fees	(0.5)	(0.5)	(0.4)	(0.5)	(0.3)	(0.2)
Net management fee revenue	<u>2.8</u>	<u>2.3</u>	<u>1.8</u>	<u>1.9</u>	<u>1.2</u>	<u>0.7</u>
Externally reported TM segment operating income (loss)	(2.3)	(2.0)	(1.6)	(1.5)	(1.2)	(0.4)
Addback of eliminated management fees <sup>(1)</sup>	<u>2.7</u>	<u>2.3</u>	<u>1.7</u>	<u>1.9</u>	<u>1.3</u>	<u>0.7</u>
TM segment operating income (Internal reporting)	<u>0.4</u>	<u>0.3</u>	<u>0.1</u>	<u>0.4</u>	<u>0.1</u>	<u>0.3</u>
Impact of Funds on POPE cash flow						
Fees	2.8	2.3	1.8	1.9	1.2	0.7
Distributions from operations	1.4	1.3	0.8	1.7	0.2	-
Distributions from property sales, refinancings	<u>11.9</u>	<u>2.7</u>	<u>0.1</u>	-	-	-
Total	<u>16.2</u>	<u>6.3</u>	<u>2.7</u>	<u>3.6</u>	<u>1.4</u>	<u>0.7</u>

(1) Eliminated for external reporting in consolidation

# Look-through Balance Sheet: Breaking out Funds

(in \$millions)

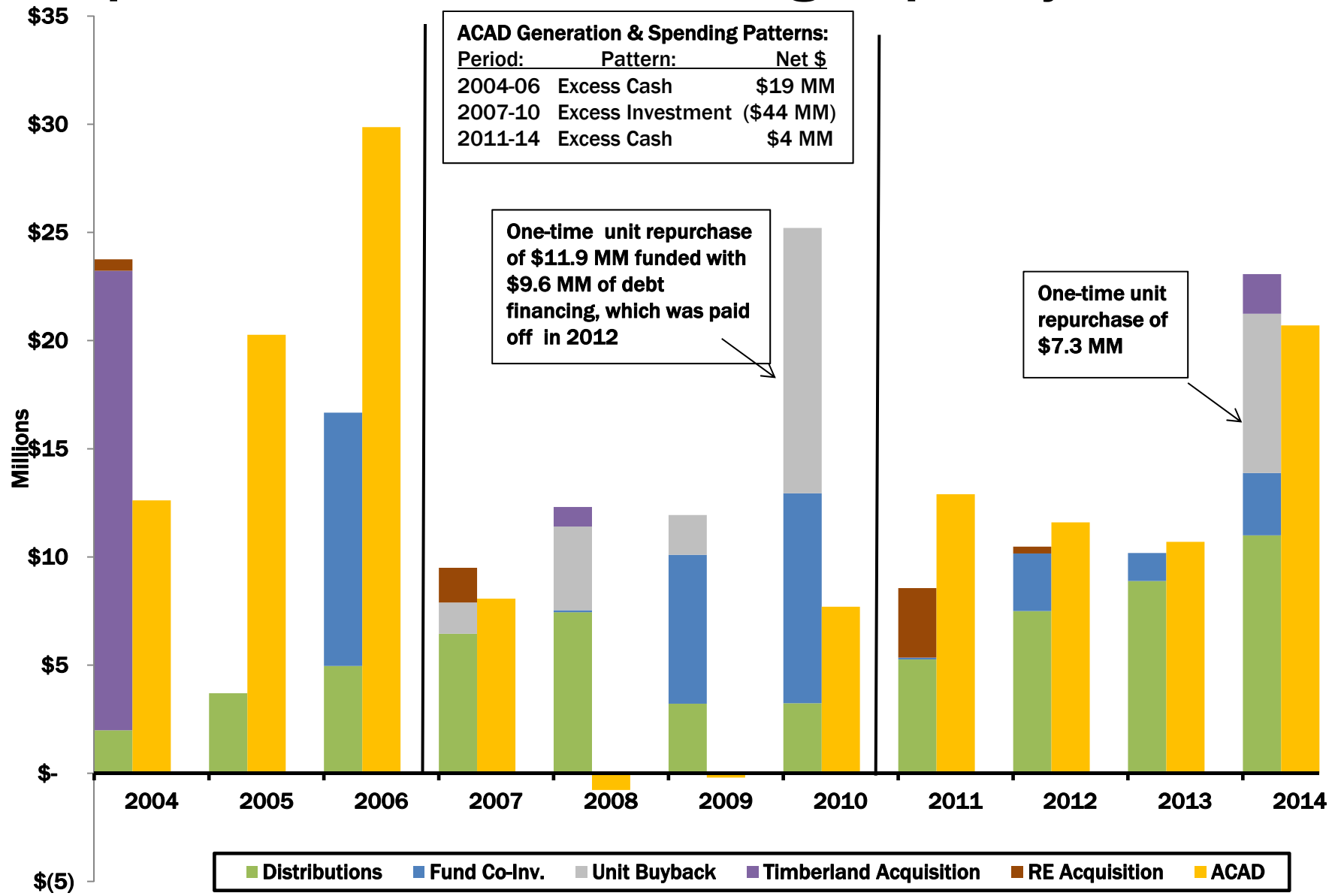
	December 31, 2014			Compare to:	
	Partnership	Look-Thru Funds	Look-Thru Bal Sht	Consol Bal Sht	YE 2013
<b>Assets</b>					
Cash & cash equivalents	14.5	1.8	16.3	24.0	7.0
Other current assets	12.2	0.2	12.4	13.4	13.5
Timber & roads, net	30.4	18.9	49.3	227.1	211.9
Timberlands	14.6	3.7	18.3	47.9	44.9
Land held for development	26.0	-	26.0	26.0	27.0
Buildings & equipment, net	6.0	-	6.0	6.0	6.2
Other assets	0.3	-	0.3	0.4	0.4
<b>Total assets</b>	<b>104.0</b>	<b>24.6</b>	<b>128.6</b>	<b>344.8</b>	<b>310.9</b>
<b>Liabilities &amp; Equity</b>					
Current liabilities (excl. current portion of long-term debt)	7.2	0.2	7.4	9.1	7.9
Total debt (current and long-term)	32.6	6.6	39.2	90.0	75.7
Other liabilities	18.4	-	18.4	18.4	12.7
<b>Total liabilities</b>	<b>58.2</b>	<b>6.8</b>	<b>65.0</b>	<b>117.5</b>	<b>96.3</b>
Partners' capital	46.0	17.7	63.7	64.1	69.4
Noncontrolling interests	-	-	-	163.5	145.2
<b>Total liabilities &amp; partners' capital</b>	<b>104.2</b>	<b>24.5</b>	<b>128.7</b>	<b>345.1</b>	<b>310.9</b>

# Look-through EBITDDA: Breaking out Funds

	2014				
	Partnership	Funds	Combined As Reported	Reverse: Funds' Non-Controlling	Look-Thru Inc Stmt
Net income	7.2	24.7	31.9	(19.7)	12.2
Adjustments to calculate EBITDDA:					
Depletion	4.5	7.7	12.2	(6.5)	5.7
Depreciation/amortization	0.7	-	0.7	-	0.7
Net interest expense	0.6	2.0	2.6	(1.7)	0.9
Income tax expense (benefit)	0.9	-	0.9	-	0.9
Cost basis of land and timber sold	9.2	-	9.2	-	9.2
Adjusted EBITDDA	23.1	34.4	57.5	(27.9)	29.6

	2013				
	Partnership	Funds	Combined As Reported	Reverse: Funds' Non-Controlling	Look-Thru Inc Stmt
Net income	13.3	(1.6)	11.7	1.4	13.1
Adjustments to calculate EBITDDA:					
Depletion	3.2	8.1	11.3	(6.6)	4.7
Depreciation/amortization	0.7	-	0.7	-	0.7
Net interest expense	0.7	0.8	1.5	(0.6)	0.9
Income tax expense (benefit)	(0.5)	0.1	(0.4)	(0.1)	(0.5)
Cost basis of land and timber sold	5.0	-	5.0	-	5.0
Adjusted EBITDDA	22.4	7.4	29.8	(5.9)	23.9

# Capital Allocation: Balancing Liquidity & Growth



# Implied Timberland Value Well Below Market Level

