

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

**Current Report Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported) June 22, 2004

**Pope Resources, A Delaware Limited Partnership**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

91-1313292  
(I.R.S. Employer  
Identification No.)

19245 Tenth Avenue NE, Poulsbo, Washington 98370  
(Address of principal executive offices) (ZIP Code)

Registrant's telephone number, including area code (360) 697-6626

NOT APPLICABLE  
(Former name or former address, if changed since last report.)

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**INFORMATION TO BE INCLUDED IN THE REPORT**

**Item 5. OTHER EVENTS AND REGULATION FD DISCLOSURE**

On June 22, 2004 the registrant provided the attached presentation to certain parties interested in Pope Resources units. A copy of that presentation is attached hereto as Exhibit 99.1.

**Item 7. FINANCIAL STATEMENTS AND EXHIBITS**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Presentation dated June 2004

**SIGNATURES**

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POPE RESOURCES, A DELAWARE LIMITED  
PARTNERSHIP

DATE: June 22, 2004

BY: /s/ Thomas M. Ringo

Thomas M. Ringo  
Vice President and Chief Financial Officer, Pope  
Resources, A Delaware Limited Partnership, and  
Pope MGP, Inc., General Partner

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**Exhibit 99.1  
Presentation dated June 2004**

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*POPE RESOURCES*

New York and Boston  
Investor Presentation  
June 2004



**Pope Resources**  
*A Limited Partnership*

## *Safe Harbor*

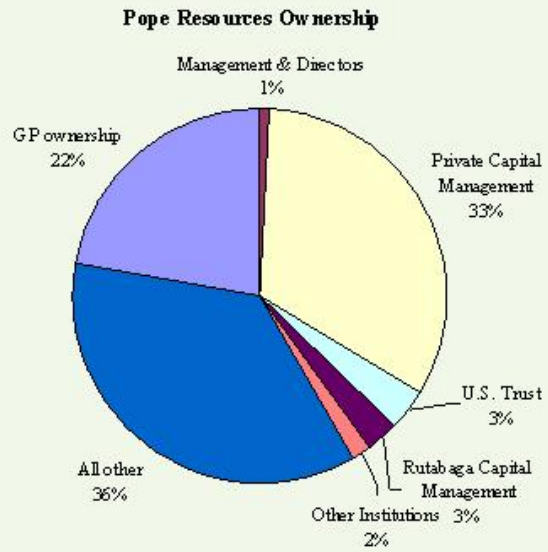
This presentation contains forward-looking statements. These forward-looking statements are subject to a number of risks and should not be relied upon as predictions of future events. Some of the forward-looking statements can be identified by the use of forward-looking words such as “believes”, “expects”, “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, but are not limited to: 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.

## *Pope Resources Overview*

- Last remaining timber MLP
- Established in 1985 as a spin-off from Pope & Talbot
- 4.5 million units outstanding, with limited public float
  - 22% controlled by GP's and broader "family" ownership
  - 33% controlled by Private Capital Management
  - Limited institutional ownership
  - Over one-third held by retail investors
- Thinly traded
- Market capitalization of \$84 million
- Enterprise value of approximately \$114 million
- 2003 revenues of \$27 million (Q1 2004 - \$12 million)
- 2003 net income of \$3.5 million or \$0.78/unit (Q1 2004 - \$0.87/unit)
- 2003 EBITDDA of \$10.1 million (Q1 2004 - \$6.4 million)
- Unit distribution of \$0.07/quarter

## Ownership

- **General Partners**
  - Two corporate GP's own collectively about 1.5% of Pope Resources
  - Each of GP's owned 50/50 by Peter Pope and his cousin, Emily Andrews
  - \$150,000/year management fee, unchanged since spin-off
  - Sliding-scale profit-sharing interest in third-party service subsidiary
- **Limited Partners**
  - Private Capital Management at 33% (initial stake in 1993)
  - "Family" position at 22% (including GP interest)
  - Limited other institutional ownership
  - Over one-third held by retail investors



## *Pope Resources Business Segments*

- **Fee Timber**
  - 115,000 acres of timberland in western Washington
  - Producing 58 MMBF of annual log harvest volume in 2004 and 2005
  - 2004-05 log production includes 13 MMBF in each year attributable to recent acquisition
  - Future growth will be primarily through co-investment with ORM Timber Funds
  
- **Timberland Management & Consulting**
  - Olympic Resource Management (ORM) subsidiary provides third-party timberland management services to other owners of timber, leveraging off our timberland management expertise and providing additional economies of scale
  - Launch of \$50 million private equity fund, ORM Timber Fund I
  - During past six years, ORM managed 1 million acres of industrial timberland in the Western U.S. for Hancock Timber Resource Group and Pioneer Resources
  
- **Real Estate**
  - 2,200 acres of higher and better use properties near population centers
  - Seeking development entitlements to add value to land
  - Primary role is as a master developer, selling lands to other developers following entitlement process
  - Ownership and management of historic mill town of Port Gamble

## *Pope Resources Growth Strategy*

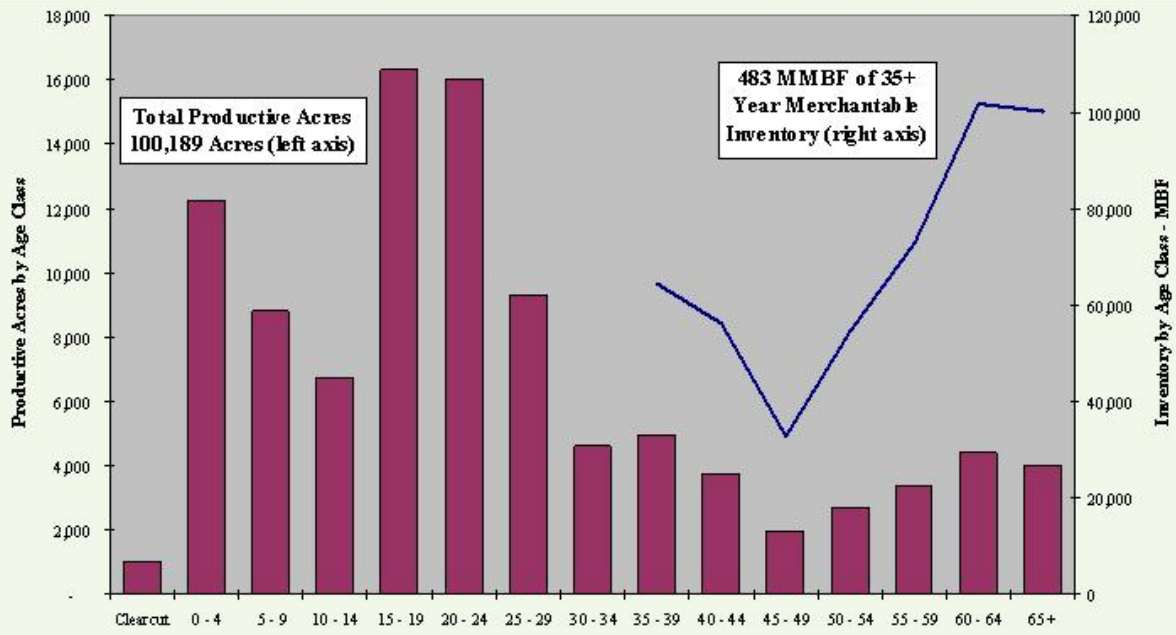
- Free cash flow, after debt service and distributions, of \$3 to \$4 million per year, depending on log prices
  - Used for co-investment in ORM Timber Funds
  - Opportunistically pursue fee (owned) timberland acquisitions
  - Where appropriate, invest in real estate projects
  - Potential to increase unit distribution with excess cash
- Growth Capital
  - No current expectation for secondary offering of units
    - Currency too cheap to issue new units (currently at \$19/unit, down from high of \$35/unit in 1999)
  - Modest debt capacity
    - Between \$30 and \$50 million of incremental debt capacity, depending upon the value of Units and cash flows
    - Debt to total capitalization covenant of 50% (currently 31% - market equity)
  - Near-term growth fueled primarily by organic cash flow generation
- Maintain modest unit distribution
  - Current distribution is \$0.28/unit, or a yield of 1.5%

## Fee Timber Strategy

- Acquisition of Columbia tree farm in 2001 from Plum Creek filled age-class gap and leveled off age classes older than 30 years
  - Non-declining harvest of 45 MMBF for next decade, before gradual increase over ensuing decades (reaching 65 MMBF eventually) – addition of 13 MMBF in each of years 2004 and 2005 as result of January 2004 acquisition
  
- Look to add to fee (owned) timberland base
  - Acquisitions involving debt likely to be dilutive to earnings initially
  - Opportunistic/contrarian approach to timber acquisitions
  
- Much of fee timber growth will come through co-investment in new ORM Timber Funds
  - Will allow Pope Resources to participate in acquisition economies associated with larger transactions



## Productive Acres & Inventory by Age Class (1/1/04)



**2003 Harvest Mix**



- Export Sawlogs
- Domestic Sawlogs
- Pulpwood

2003 Total Harvest  
45 Million Board Feet (MMBF)



- x— Douglas-fir Export Sawlogs
- ♦— Douglas-fir Domestic Sawlogs
- Douglas-fir Pulpwood

Source: RSI, Log Lines

## *Timberland Management & Consulting Strategy*

- Manage timberlands for third-party clients
  - Full-service management, selected forestry consulting services, workout specialist
  - Focus development of expert processes/tools, and market presence
  - Ancillary benefits accrue to fee timber properties through management expertise and economies of scale
  - Fit with broad ownership trends in industry
  
- Raise capital for investing in timberlands: ORM Timber Fund I, L.P.
  - \$50 million of equity capital
  - 10% co-investment by Pope Resources and affiliates
  - Additional debt of up to 50% of equity capital raised (thus \$75 million fund)
  - ORMLLC will serve as GP

- Push real estate properties through entitlement and permitting pipeline
  - To point where sale opportunity is optimal
  - May retain selected properties where management is passive and income stream is steady with upside
  
- Major early-stage entitlement projects
  - Gig Harbor - 320 acre mixed-use project within city limits
    - Commercial rezone effort underway - sale to Costco, YMCA
    - New Tacoma Narrows bridge impact
  - Bremerton - 230 acre mixed-use project with 15 year development agreement
  - Kingston - 710 acre project subject to urban growth boundary determination
  - Hansville - 210 acre project granted preliminary plat approval for 89 lots
  
- Port Gamble historic mill town is a many-faceted, long-term project
  - Rural historic town designation under State's Growth Management Act
  - Water rights recently secured
  - Environmental cleanup complete
  - Sewer system expansion needed for build-out of town site
  - Long term: development of former mill site and remaining portion of town site

## Financial Performance – Eleven-Year Summary

(All amounts in \$ millions, except per unit data)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Q1 2004
Revenues:											
Fee Timber	19.1	26.6	21.8	19.7	21.0	23.5	21.4	25.0	23.3	22.9	11.4
Timberland Mgmt & Consulting					8.9	11.7	11.0	9.7	7.3	2.4	0.1
Real Estate	11.0	9.6	11.2	10.4	13.1	15.7	18.2	13.1	1.6	1.7	0.2
Total Revenues	30.1	36.2	33.0	30.1	43.0	50.9	50.6	47.8	32.2	27.0	11.7
Net Income/(Loss)	8.9	13.1	8.3	3.5	8.8	5.1	(6.3)	(0.4)	3.3	3.5	4.0
Net Income/(Loss) per Unit	\$ 1.93	\$ 2.90	\$ 1.84	\$ 0.78	\$ 1.94	\$ 1.11	\$ (1.38)	\$ (0.10)	\$ 0.74	\$ 0.78	\$ 0.87
EBITDDA	11.7	16.0	10.9	6.2	11.9	9.0	(3.0)	10.6	9.3	10.1	6.4
Operating Cash Flow	7.4	17.0	12.3	5.8	9.2	8.3	10.0	11.2	9.0	8.6	4.2
Timberland Harvest (MMBF)	29.7	37.9	31.6	33.2	38.9	42.0	37.3	36.3	45.1	45.0	20.3
Unitholder Distributions per Unit	\$ 0.72	\$ 1.06	\$ 0.82	\$ 0.49	\$ 0.40	\$ 0.40	\$ 0.40	\$ -	\$ 0.10	\$ 0.24	\$ 0.07
Unit Trading Prices:											
High	\$ 18.80	\$ 21.80	\$ 23.40	\$ 31.00	\$ 32.50	\$ 35.00	\$ 29.25	\$ 24.50	\$ 15.50	\$ 15.99	\$ 24.00
Low	\$ 14.40	\$ 15.25	\$ 15.80	\$ 17.40	\$ 24.06	\$ 27.88	\$ 19.00	\$ 14.00	\$ 9.30	\$ 7.00	\$ 15.00

## Investment Grade Balance Sheet

(in \$millions)	31-Mar-04	31-Dec-03
<b>Assets</b>		
Cash	3.4	10.4
Other Current Assets	3.5	2.4
Properties and Equipment	79.8	72.1
Other Assets	<u>1.4</u>	<u>1.4</u>
Total Assets	<u>88.1</u>	<u>86.3</u>
<b>Liabilities &amp; Equity</b>		
Current Liabilities (excl. Current Debt)	1.9	2.2
Total Debt	36.2	37.7
Other Liabilities	<u>0.3</u>	<u>0.4</u>
Total Liabilities	<u>38.4</u>	<u>40.3</u>
Equity	<u>49.7</u>	<u>46.0</u>
Total Liabilities & Equity	<u>88.1</u>	<u>86.3</u>

## *Pope Resources - Summary of Investment Opportunity*

- With fall in value over past few years, Pope Resources' units represent intriguing upside potential with limited downside risk
  - Extraordinarily deep discount to NAV
    - Imputed value of fee timberlands of between \$850 and \$950 per acre, depending on assumptions made for value of HBU lands (\$5-\$10K/acre)
  - Enterprise value to EBITDDA multiple of 8
  - Trading at 14 times trailing 12-month earnings
- Highly tax-efficient vehicle for investing in timberland asset class
  - Positive tax yield
  - Modest distribution yield
  - Compelling diversification benefits of timberland asset class
- Adding value through use of free cash flow
  - Co-investment in ORM Timber Fund I, L.P.
  - Opportunistic acquisitions
  - Increases in distribution level
- Improved alignment with insider buying in past few years

# Pope Resources Unit Price vs. Douglas-Fir Log Prices (98-03)





## Unit Price as Multiple of Trailing Cash Flows\*



\* "Trailing Cash Flow" defined as EBITDDA for POPEZ and as either EBITDDA or cash flow from operations for other 3 firms.

## Tax Advantages of Investing in Pope Resources Units

A	B	C	Resultant Tax (Liab)/ Benefit	Tax "Yield" at Various Unit Prices			
Pope Res 1065 Aggregate Amounts Reported	Per Unit Amounts	Applicable Tax Rate	(B times -C)	\$ 10.00	\$ 14.00	\$ 18.00	\$ 22.00

New Tax Rates:							
K-1 Taxable Income	<u>1,500,000</u>	<u>\$ 0.33</u>					
1231 gain	11,700,000	\$ 2.59	15.0%	\$ (0.39)			
Int income	300,000	0.07	35.0%	(0.02)			
Ord loss	<u>(10,500,000)</u>	<u>(2.32)</u>	35.0%	<u>0.81</u>			
	<u>1,500,000</u>	<u>\$ 0.33</u>		<u>\$ 0.40</u>	4.0%	2.9%	2.2%
					1.8%		

**Note:** Income amounts provided are representative examples only and should not be interpreted as pro forma results.

## Why Invest in POPEZ?

- Pope Resources represents compelling value play
  - Fraction of liquidation value by any measure
  - Tarred unfairly by problems facing two other timber publicly traded partnerships
- Great time to invest in timber asset class
  - Portfolio diversification benefits
  - Strong asset class track record
  - Asset values have fallen substantially
- Tax attributes meaningful to sophisticated individual investors
  - Yield component associated with arbitrage between tax rate applicable to capital gains and ordinary income
- Growing value, not necessarily near-term earnings
  - Best suited to long-term holder
  - Ideal for long-term wealth accumulation or for passing wealth to future generations
- Modest distribution yield

# *TIMBER INVESTING 101*

## Reference Material

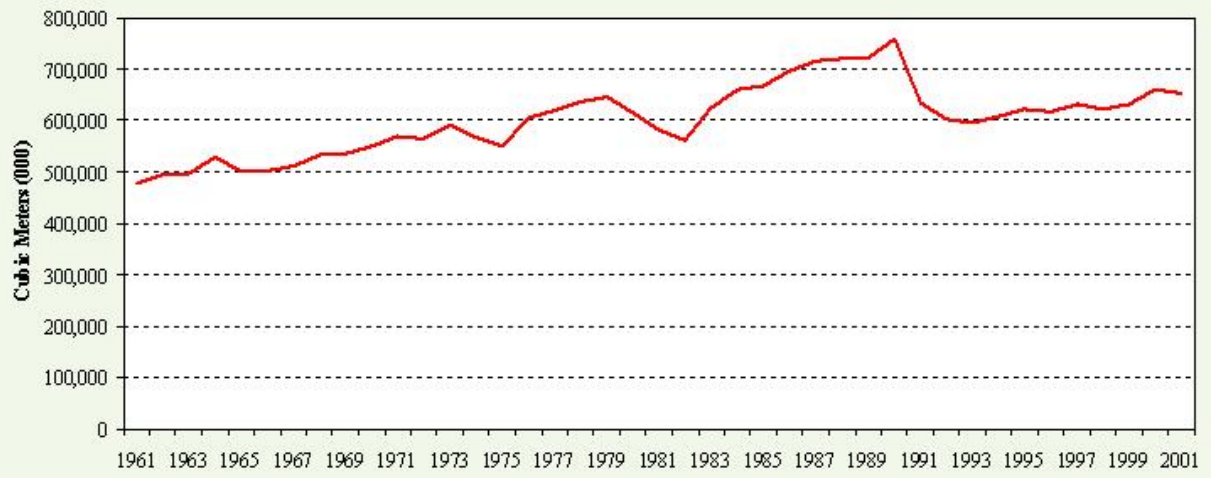


**Pope Resources**  
*A Limited Partnership*

## *Macroeconomic Factors Impacting Timberland Investments*

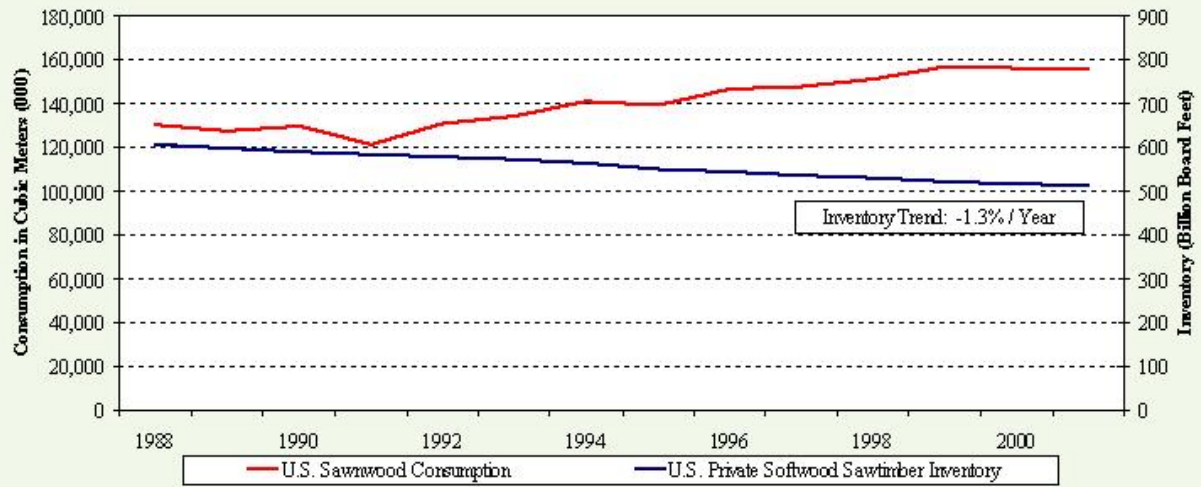
- Timber and timber-related product demand is driven by:
  - Population growth
  - Per capita GDP
    - Developed countries account for 75% of paper & paperboard consumption
    - By 2014, developing countries will contribute more to world GDP than developed countries
  
- Global timber supplies pressured by increasing environmental pressures and growing rates of consumption
  
- Supply pressures mitigated by
  - Greater use of technology by both producers and manufacturers of timber
  - Establishment of Southern Hemisphere plantations
    - Long-term supply increase, but with heavier hardwoods component
    - Will not adequately address growing sawtimber needs

## Global Consumption of Softwood Sawtimber (1961-2001)



Source: FAO

## U. S. Private Timber Inventory Relative to Demand (1988-2001)



Source: FAO, RISI

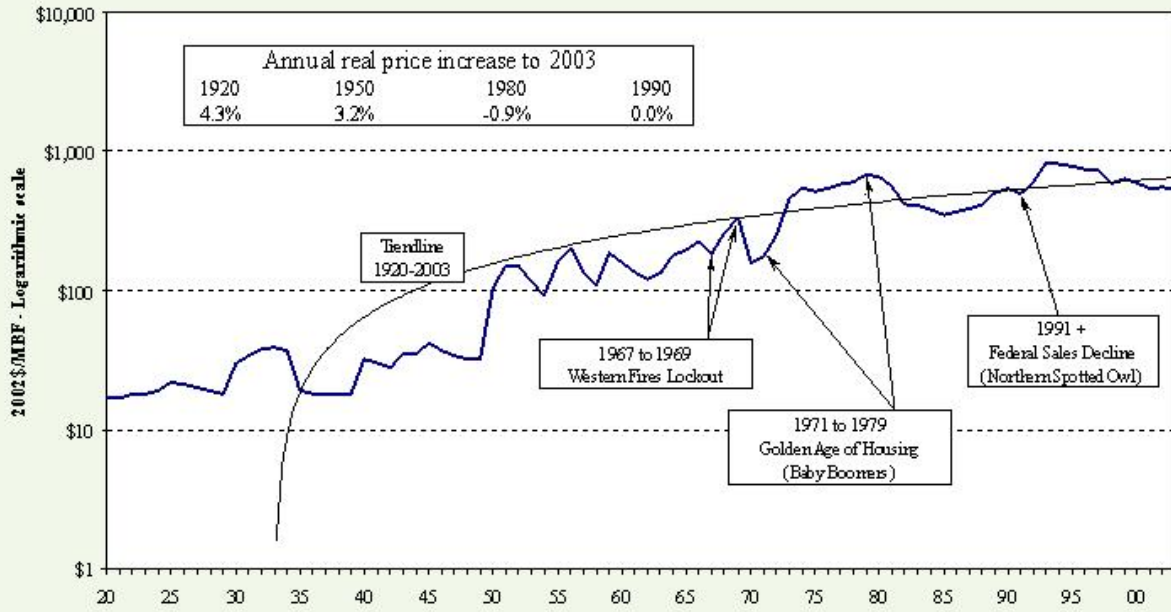
## Historical Log and Stumpage Prices (1950-2002)



Source: USFS, LogLines, Timber Mart-South



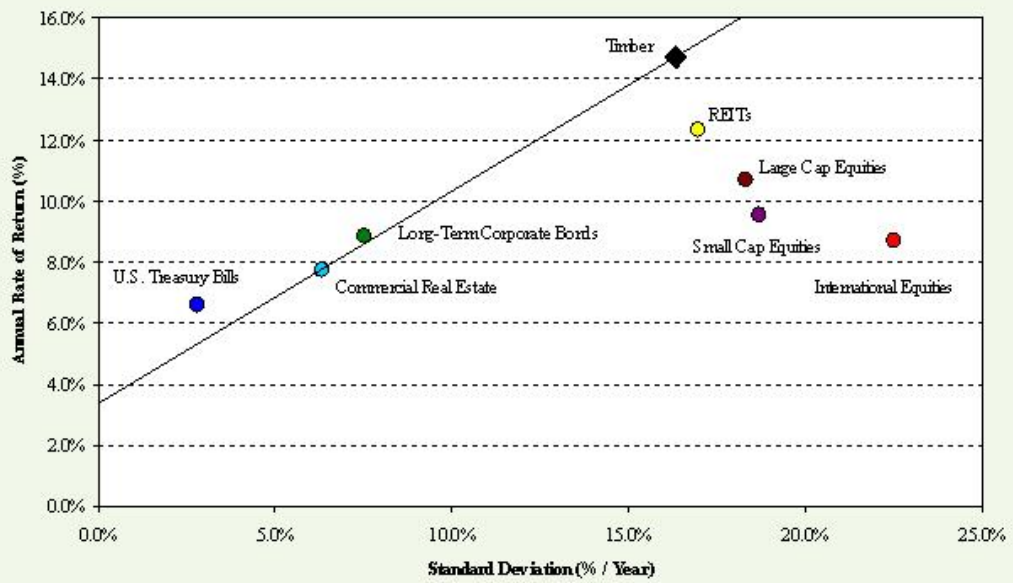
## Historical Douglas-fir Log Prices (1920-2003)



## *Timberland Investment Attributes*

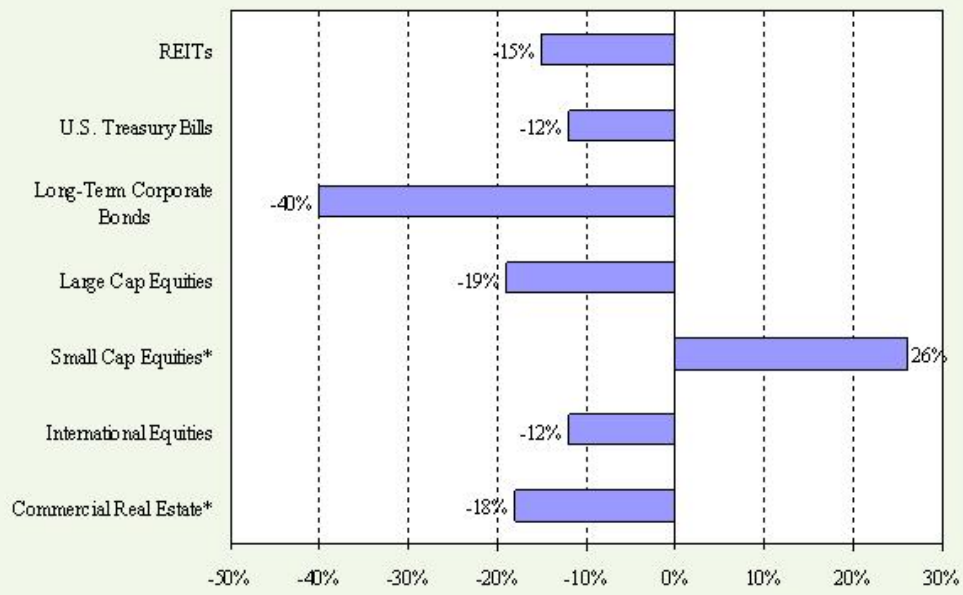
- **Exceptional risk-adjusted returns**
  - Timberland has outperformed other asset classes while having lower risk
  
- **Attractive diversification attributes**
  - Negative correlation to other asset classes
  - Positive correlation to inflation
  
- **Ideal for long-term investment orientation**
  - Unique opportunity to “store value on the stump”
  
- **Tax efficient asset class**
  - Grows in value without generating tax liability

## Risk and Return of Asset Classes (1973-2002)



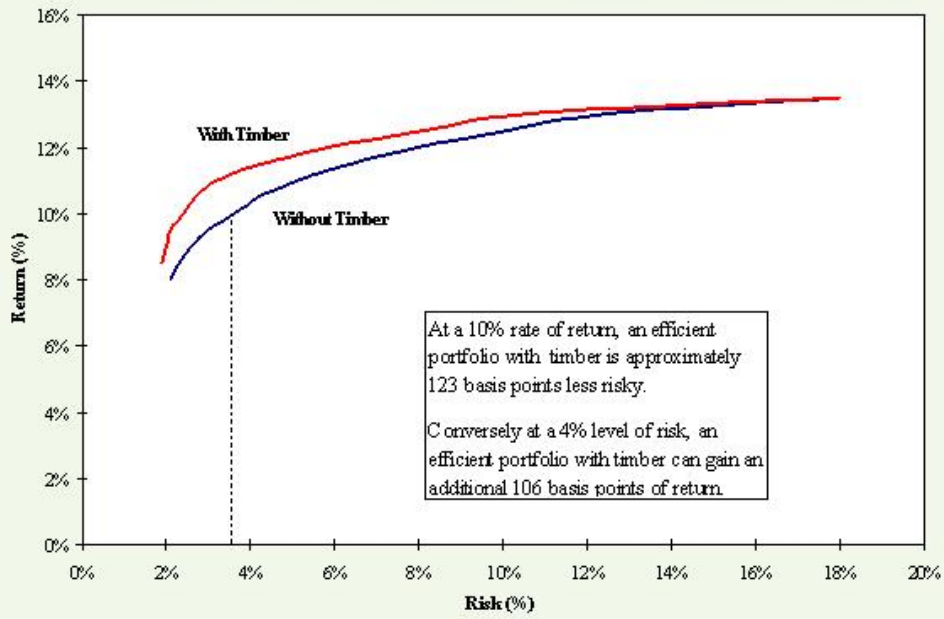
Note: For purposes of calculating the Sharpe ratio we use 3.8%, the 10-year Treasury Note rate.

## Historical Correlations with Timberland Returns (1973-2002)



\*Data for small cap equities and commercial real estate are from 1979-2002

## Efficient Frontiers (1973-2002)



Portfolios optimized with 20% constraint for commercial real estate, EETs, & timber. Optimal timber portfolio at 10% return has 14% timber allocation.

## *Timber as a Tax Efficient Preserver of Wealth*

- Time-tested technique for passing wealth on to future generations in a tax-efficient manner
- Timber adds volume and value growth without generating near-term tax liability
- Harvest income from timber held in flow through vehicles enjoys preferential capital gains tax treatment
- Potential for arbitrage opportunities by acquiring undervalued younger stands and passing those on to younger generations
  - Timber age classes are not valued in a linear manner

## *Risks of Investing in Timber*

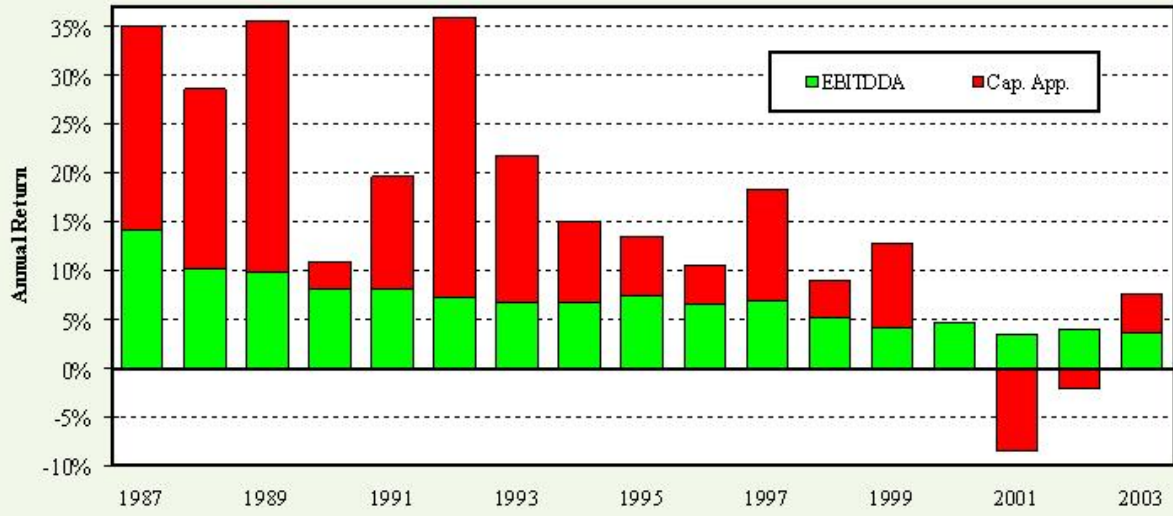
- Timberland is a relatively illiquid asset
  - Varies by age of timber and size of property
  - Three factors that have created an increasingly more liquid asset class:
    - Greater acceptance by the investment community
    - More monetization of timber assets by integrated forest products companies
    - Greater number of publicly traded “pure play” timber equities
- Cyclical market conditions over long holding period
- Selection and conduct of asset manager
- Substitution threats
  - Other species from other geographies
  - Engineered wood products
  - Non-wood products
- Fire is generally not considered a significant risk
  - Historically less than 0.5% of commercial timberland owned by institutional investors is damaged by fire, insects, disease and other natural hazards

## *Shift in U.S. Timberland Ownership*

- Institutions began to invest directly in timberlands in the 1980's following the passage of ERISA
- By 2001, institutional owners controlled over \$10 billion in direct timberland ownership
- Timberland investment attributes better understood with the launch of the NCREIF Timberland Index in the early 1990's and the growth of early Timberland Investment Management Organizations (TIMO's)
- Publicly traded forest products companies sold significant timberlands beginning in the late 1980's
  - Finance pulp and paper expansion
  - Pay down debt to rebalance capital structures
  - Monetize timber that was not being fully factored into public equity valuations
  - Vertical integration has become less of a need with advent of financial owners of timber and further specialization within wood products manufacturing
- Tax advantaged REIT, MLP, and other private equity structures are resulting in more timberland transactions flowing to institutional owners and pure-play timber companies



NCREIF Timberland Return - Total Return (1987-2003)



## *Future Outlook for Timberland Ownership*

- Timberland ownership will continue to flow to institutional owners and pure play timber companies
  - Timber is still in the process of being “discovered” by institutional investors
  - Compelling tax advantages of flow-through entities relative to C-Corps
  - Timberland will become increasingly more liquid asset as these changes occur
- Timberland return expectations will evolve (moderate)
  - Many investors were drawn to asset class based on anomaly of early 1990's returns associated with the listing of the Northern Spotted Owl
  - New investors have more modest return expectations
  - Global market forces and product substitution will continue to work pricing inefficiencies out of log markets, lowering pricing volatility and risk
    - Other species from other geographies
    - Engineered wood products
    - Non wood products
- As timberland markets evolve, more emphasis will be placed on management expertise and value added silvicultural investments

## Summary of Timberland Investment Thesis

- Timberland is ideal for high net worth investors
  - Strong risk-adjusted returns
  - Attractive portfolio diversification attributes
  - Multi-generational wealth preservation benefits
  - Short and long-term tax efficiency
  
- Timberland is timely for the current investment climate
  - Tangible “hard” asset
  - Biological volume and value growth allow owners to “store value on the stump”
  - Attractive risk-adjusted returns relative to other investment alternatives
  
- Opportune time to be getting into the timberland asset class
  - Low point in product price cycle
  - Falling timberland asset market values over past few years
  - Long-term market fundamentals still strong
  - Numerous properties expected to trade over the next five years

*POPE RESOURCES*



**Pope Resources**  
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